DIHLABENG
LOCAL MUNICIPALITY

ANNUAL REPORT




2008 – 2009

AKNOWLEDGEMENTS

This annual report is published by the Dihlabeng Local Municipality. It reviews all activities of the Municipality for the period July 2008 to June 2009. Every effort has been made to ensure that the facts are correct.

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FOREWORD: by the Mayor

Herewith our 2008/2009 Annual Report. This Report is presented at the back of a resounding victory achieved by the governing party during the recent national and provincial elections. Broadly consistent with the manifesto of the governing party, as a municipality, we continued to focus on the five areas of the 5 Year Local Government Strategic Agenda.

In respect of Institutional Capacity and Organisational Transformation, we ensured that the organisational structures were revised to align to our IDP Objectives, and that the organisation functioned at optimal capacity while going some way towards meeting our transformation and employment equity targets.

With regard to Basic Services and Infrastructure Development, we have ensured that 100% of our capital budget was spent and that infrastructure projects identified in our IDP and the SDBIP for the year in question, were fully implemented. This included eradicating the bucket system, providing water and sanitation, electricity, roads and storm water to the whole of the Dihlabeng, and the poor in particular.

We have also invested significantly in the rehabilitation and improvement of our sports and recreational facilities. A number of our community parks and stadia are benefiting from this investment.

Local Economic Development remains central in our work. We are acutely aware that critical to the long term sustainability of our municipality, is our ability to grow the local economy and thereby broaden our tax base, create jobs and reduce poverty. Various efforts have thus gone in this direction. These have included rapid release of land for strategic developments, empowerment of our local business people, focus on critical sectors like Agriculture, capacitation of the SMME sector and support to the informal sector.

It has also proved imperative for us to develop a special focus on the financial viability of our municipality. In this regard, we are happy to announce that following various interventions including the Financial Turnaround Strategy, Debt Collection Strategy and Cost-Cutting Measures, the municipality has managed to ensure that we reduce the overdraft from R14 million to 5 million, reduce creditor account from R22 million to R8 million and reduce our personnel expenditure to 36% -just one percentage above nationally set threshold.

We also continue to introduce measures to increase integrity in our systems, promote accountability and maximise participation of our communities in governance and our programmes generally.

I would like to thank the Exco, Council, the community, the outgoing Municipal Manager and all staff who have made the achievement of our objectives this financial year possible.

Together, we can indeed do more!

Cllr TMH Mofokeng
Mayor

OVERVIEW: by the Municipal Manager

It is with a great sense of honour that we present the 2008/2009 Annual Report of Dihlabeng Local Municipality. The Report is presented as part of our responsibility to account to the people of Dihlabeng on the commitments we made in our 2008/2009 IDP.

The report reflects on the challenges encountered by the municipality and achievements made during the said financial year. In this Report, we provide details of the work of various components of the municipality in line with the following key performance areas of the Local Government Strategic Agenda:

- Institutional Capacity Building and Organisational Transformation;
- Basic Service Delivery and Infrastructure Development;
- Local Economic Development;
- Financial Viability and Management;
- Good Governance.

In respect of the above, we ensured that the necessary human resource policies, systems and structures were put in place while ascertaining compliance with applicable legislation.

On Service Delivery, we ensured basic services were delivered in accordance with targets set in our IDP and the SDBIP.

We have also ensured that SMMEs were assisted through training, provision of raw material (eg seeds), creation of markets (market stalls) as well marketing and brand positioning(eg B&Bs). These have gone some way towards stimulating economic activity in the area.

To ensure financial viability of the municipality, we ensured that we collect 85% of billed accounts, reduce dependency on grants from 29% to 22% and reduce of personnel costs to nearly within the 35% threshold.

We have also introduced measures to promote good governance. In addition, we continued to support our ward committees to ensure that communities are involved in the affairs of the municipality.

However more still needs to be done. I would like to thank, the Mayor, Exco, Council and staff for the support and unwavering commitment to make the lives of people of Dihlabeng better.

SJ Msibi
Municipal Manager

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CHAPTER 1: Overview of Dihlabeng Local Municipality

1.1 Introduction

The area of jurisdiction of the Dihlabeng Local Municipality is situated in the Thabo Mofutsanyana District Municipality region. The former Bethlehem, Clarens, Paul Roux, Fouriesburg and Rosendal Transitional Local Councils and sections of the former Drakensberg and Maluti Transitional Rural Councils are included in the Dihlabeng Region. The total estimated residents in the urban areas, according to Council preferred data, is 140 919. The general tendency of migration from rural to urban areas is also occurring in the area, as is the case in the rest of the Free State Province. The majority of the rural population is active within the agricultural sector. Bethlehem serves as the head office of the municipality.

Loosely defined, Dihlabeng is a South Sotho word for ‘a water-locked place’. This owes to the fact that the whole of the Dihlabeng area is found in a region that has a lot of water due to the geographic location, environmental characteristics and favourable climatic conditions.

Governance Structures

Dihlabeng is a local municipality with a collective executive system. It has 38 Council members made up of 19 Ward Councillors and 19 Proportional Representative Councillors.

The party political representation in Council is as follows:

- ANC (Majority);
- Democratic Alliance;
- PAC;
- Other.

Councillors	
Mr. TMH Mofokeng	Mayor
Ms. MA Noosi	Speaker
Mr. MM Radebe	Exco. Member
Mr. TJ Mkwani	Exco. Member
Ms. DM Mofokeng	Exco. Member
Mrs. MA Mashinini	Exco. Member
Mr. MJ Tshabalala	Exco. Member
Mr. CC Harrington	Exco. Member
Mr. D Stevens	Exco. Member
Mrs. TJ Tshabalala	Part-time Councilor
Mr. SJ Msimanga	Part-time Councilor
Mrs. HE Mokoena	Part-time Councilor
Ms. MJ Vilakazl	Part-time Councilor
Ms. TM Mofokeng	Part-time Councilor
Ms. NC Bukhali	Part-time Councilor
Mr. RP Mofokeng	Part-time Councilor
Mr. SE Mosia	Part-time Councilor
Mr. CP Changube	Part-time Councilor
Me. LJ Wanzi	Part-time Councilor

Councillors	
Mr. MP Jacobs	Part-time Councilor
Mr. DE Malan	Part-time Councilor
Mr. BDL Venter	Part-time Councilor
Mr. MS Maseko	Part-time Councilor
Mr. PH Motsoeneng	Part-time Councilor
Mr. MJ Khetsi	Part-time Councilor
Ms. LA Ramela	Part-time Councilor
Mr. MJ Hatla	Part-time Councilor
Mrs. MA Mokoena	Part-time Councilor
Ms. MK Mofokeng	Part-time Councilor
Mr. NE Mkhwanazi	Part-time Councilor
Ms. MH Mofokeng	Part-time Councilor
Mr. LJ Lemako	Part-time Councilor
Mrs. MJ Mazibuko	Part-time Councilor
Mr. VD Mzizi	Part-time Councilor
Mr. JJH Pienaar	Part-time Councilor
Mr. I Ntakane	Part-time Councilor
Mr. JG Kriek	Part-time Councilor

The Executive Committee comprises members who head the following Committees:

	Committee	Chairperson	Mandate
1	Finance	TMH Mofokeng	All Financial matters
2	Human Resource Development	MM Radebe	All Human Resource matters
3	Community Services	TJ Mkwani	All Social Service matters
4	Public Works	MJ Tshabalala	All Infrastructural Development matters
5	LED	DM Mofokeng	All Local Economic Development matters
6	Land and Housing	MH Mashinini	All Land and Housing matters

1.2 Geographic Profile

The Greater Bethlehem is situated approximately 240km north-east of Bloemfontein, 140km east of Kroonstad and 90km west of Harrismith. The town area forms part of the Highland Route and is subsequently located 80 km from Qwa-Qwa, 60km from the Golden Gate National Park and 120km from Willem Pretorius Game Reserve. The town originally developed as a service centre. Growth was stimulated by the strategic location of the area that presently serves as a regional centre. This is attributed to the fact that the area is situated adjacent to the N5 National Road between Bloemfontein and Durban. The Greater Bethlehem is also directly linked to other towns like Kroonstad, Reitz, Warden and Ficksburg.

The accessibility of the town is further emphasized by the prominence of the railway station at the Kroonstad/Durban and Bloemfontein/Frankfort railway intersection in the urban area.

The scenic town of Clarens, often referred to as the "Switzerland of South Africa", is situated approximately 34km south-east of Bethlehem, 250km north-east of Bloemfontein and approximately 70km from Harrismith. Clarens is a mere 20km from the Golden Gate National Park. The community is situated 10km from the Lesotho boarder and has a splendid view of the Maluti Mountains. The past few years saw a leap in the tourist industry. A number of holiday houses, mainly for inhabitants from the Gauteng Province, were recently erected. The town is subsequently known for its "arts and craft" route in the picturesque sandstone Rooiberge and the Maluti Mountains.

Regarding the population distribution in the Bethlehem District (including the Greater Bethlehem and Clarens town areas), 62,25% of the population resides in the urban areas and 37,75% in the rural areas. The area is thus marginally less urbanized than the average in the Free State.

The Greater Paul Roux is situated in the former District of Senekal. The area is approximately 225km north-east of Bloemfontein, 114km south-east of Kroonstad and 35km west of Bethlehem. The Greater Paul Roux is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. Bethlehem influences the area to a great extent as a large service centre in close proximity. Regarding the population distribution in the Senekal District, 45,65% of the population resides in the urban areas and 54,35% in the rural areas. The area is thus marginally less urbanized than the average in the Free State (66% urban & 34% rural). This is attributed to the fact that there are virtually no other economic sectors of significance other than agriculture with the coupled scarce work opportunities.

Fouriesburg is situated on the R26 route and in close proximity of Lesotho. The town's location in relation to other major centres is as follows: 49km from Bethlehem, 46km from Ficksburg and 253km from Bloemfontein. Situated within the former Fouriesburg District, Fouriesburg has predominantly the function of a small service centre to the surrounding Agricultural communities. This primary function is increasingly being supported by Tourism as the latter industry is starting to gain momentum in the Eastern Free State. Regarding the population distribution in the Fouriesburg District, 67% of the population resides in the urban areas and 33% in the rural areas. The area is thus almost in the same ratio urbanized than the average in the Free State (66% urban & 34% rural).

The Greater Rosendal is situated in the former District of Ficksburg. The town area is approximately 60km south west of Bethlehem, 40km south east of Senekal and 40km north of Ficksburg and is situated adjacent the R70 between Senekal and Ficksburg. The town is located in an area of Agricultural significance and mainly provides services in this regard to the surrounding rural areas. Bethlehem influences the area to a great extent as a large service centre in close proximity. Regarding the population distribution in the Ficksburg District, 56% of the population resides in the urban areas and 44% in the rural areas. The area is thus marginally less urbanized than the average in the Free State (66% urban & 34% rural).

1.3 Demographic Profile

The population size of the Bethlehem neighborhoods are estimated at 18 000. Estimation is based on the amount of occupied residential sites and the average household size of 3,4. The annual growth rate in this neighborhood is 2,5%. Of the existing 4 174 residential sites, 2 922 sites are occupied. The unoccupied erven forms part of the Wolhuterskop, Panorama East and Bergsig extensions presently not developed.

The population size of the Bohlokong residential areas is estimated at 90 000 with an annual growth rate of approximately 6,95%. This estimation is based on an average occupation per residential site of 5,97, as it was determined to be an accurate value in the case of Bohlokong. All residential sites in Bohlokong, that are serviced (8883), are occupied. The population size of the Bakenpark residential area is estimated at 2 500 with an annual growth rate of approximately 4,60%. This estimation is based on an average occupation per residential site of 4,59, as it was determined to be an accurate value in the case of Bakenpark. All residential sites are occupied.

Table 3
Urban Population : Dihlabeng Region
(Source: LDO Documents 2001)

Residential Area	**Population** (Council Preferred Data)
Bethlehem	18 000
Bohlokong	90 000
Bakenpark	2 500
Sub total	**110 500**
Clarens	745
Kgubetswana	5 000
Sub total	**5 745**
Fouriesburg/Mashaeng	14 400
Sub total	**14 400**
Rosendal/Mautse	2 610
Sub total	**2 610**
Paul Roux	650
Fateng-Tse-Ntsho	7 000
Sub total	**7 650**
TOTAL	**140 919**

The population size of Clarens is estimated at 745. Estimation is based on the amount of occupied residential sites and an average household size of 1,5. The annual growth rate in this neighborhood is 1%. The Larola extension, including 157 erven, was recently incorporated in the Clarens area of jurisdiction. Of the existing 695 residential sites, 497 sites are occupied. Cognizance is to be taken of the fact that a large percentage of houses in Clarens are holiday houses, which implies that the actual permanent inhabitants of the community may be less than indicated.

The population size of Kgubetswana is estimated at 5 000 with an annual growth rate of approximately 4,3. This estimation is based on an average occupation per residential site of 7,8, as it was determined to be an accurate value in the case of Kgubetswana. This is primarily due to Kgubetswana's dramatic population increase related to continuous inflow of inhabitants from the nearby Lesotho. Excluding the most recent extension presently being established of 382 residential erven, all the residential sites in Kgubetswana are occupied.

The total population size of Fouriesburg and Mashaeng is currently estimated at approximately 14 400 people. The population of Fouriesburg has shown very little change over the last decade and the average annual growth between 1991 and 1998 was 1,1%. Hence this same figure is used for the projection of the population in the next decade. It is calculated that Mashaeng experienced an average annual growth rate of 21,3% during the past 7 years. However, due to rapid urbanization and depopulation of rural areas, the national growth rate of 2,4% is expected to provide a more accurate expected growth in population. Of the existing 780 residential sites in the Fouriesburg residential area, 270 sites are occupied. All the residential sites in Mashaeng are occupied.

The estimated population figures for the year 1996 are based on figures provided by Statistics South Africa while the 1999 (2610 people) and 2005 (2624 people) figures are based on the average of the exponential growth rates for males and females in the Free State as predicted by Statistics South Africa. The average household size in the Greater Rosendal is 3,17 people per household. Of the existing 529 residential sites in the Rosendal residential area, 101 sites are occupied. All the residential sites in Mautse are occupied.

The population size of Paul Roux is estimated at 650. Estimation is based on the amount of occupied residential sites and the average household size of 3,1. The annual growth rate in this neighborhood is 1%. Of the existing 438 residential sites, 210 sites are occupied. The population size of Fateng-Tse-Ntsho is estimated at 7 000 with an annual growth rate of 8,2%. This estimation is based on an average occupation per residential site of 5,46, as it was determined to be an accurate value in the case of Fateng-Tse-Ntsho. Only 100 residential erven in Fateng-Tse-Ntsho, are not occupied.

1.3.1 Gender and Age Profile

In order to establish a scenario of the age structure in the region, the percentages of different age categories were studied and summarized in Table 6. A large portion of the population (47,55) is composed of the age category between 0-18 years of age. This implicates a typical "fertility distribution". The specific age distribution implicates a future average to high population growth under normal conditions. A fairly low percentage (9.28) of the region's population is composed of the age category 65 years and older. This is typical of a low "mortality distribution". Changes in this sector of the population will thus not have a severe effect on the total population. Both tendencies emphasize that population growth could, under normal conditions, be expected in the region. A large part of the population is subsequently composed of the age group 20-49 (39,25%).

Exact predictions regarding population growth are complicated in view of uncertain migration patterns and the long-term impact of AIDS. It is also important to distinct between traditionally low cost residential and high cost residential areas. Traditional high cost residential areas tend to have a low "fertility distribution" while low cost residential areas in return have a high "fertility distribution". This phenomenon was generally depicted throughout the region as the low cost residential areas experienced rapid growth in contrast with the high cost residential areas where moderate to slow growth was experienced. It can generally be expected, according to the current status, that an increase in the population will occur in both of the concerned communities.

Gender distribution in the region is well-balanced and 46% of the population is male and 54% female. The tendency subsequently relates to the fairly well balanced gender distribution in the rest of the Free State (male 49,3% and female 51,7%) and the rest of South Africa (male 49,1% and female 51,9%).

Gender distribution in the region is well-balanced and 47% of the population is male and 53% female. The tendency subsequently relates to the fairly well-balanced gender distribution in the rest of the Free State (male 49,3% and female 51,7%) and the rest of South Africa (male 49,1% and female 51,9%).

Table 6
Gender and Age Breakdown
(Source: Demarcation Board 2001)

Gender	Setsoto	Dihlabeng	Maluti a Phofung	Phumelela	Nketoana	Total	%
Male	46.97	47.09	45.80	47.27	47.39	315683	46.44
Female	53.03	52.91	54.20	52.73	52.61	364053	53.56
Age Breakdown							
0-4	9.50	9.13	11.08	10.47	10.72	71003	10.45
5-19	35.80	33.27	38.23	38.45	38.56	252195	37.10
20-29	18.46	18.76	18.81	16.67	15.96	124624	18.33
30-49	21.97	24.07	19.93	19.50	20.26	142181	20.92
50-64	8.32	8.45	6.41	8.42	7.81	49659	7.31
Over 65	5.10	5.02	4.39	5.45	5.11	32259	4.75
Age Unknown	0.86	1.33	1.06	1.12	1.65	7675	1.13

1.4 Socio-Economic Profile

The following general tendencies could be derived from the contents of the following two tables:

- The larger section of individuals of the community resort under the lower income groups and 17% receives an annual income of R6 000 and below.
- It is subsequently of concern that an extreme high percentage of individuals (67%) do not receive any income.
- An exceedingly small percentage (approximately 0,57%) of individuals receive an annual income of R72 000 and higher.
- A similar situation could be determined examining the annual household income in the region.
- The larger part (approximately 38%) of households in the region receives an annual income of R6 000 and below.
- However, a significantly smaller percentage of households (14) do not receive any income at all. It is to be mentioned that although most households in the region do receive some form of income, an average annual income of R6 000 per household is extremely low and indicates an average monthly income of only R500 per family.

- The larger section (32%) of households in the region receives an annual income of R6 000 to R30 000.
- Comparing the different Local Municipalities in the region, it appears as if the annual individual income in the Dihlabeng region is the highest and similar to that is the annual household income.

1.5 Economic Profile

The Greater Bethlehem serves as an accumulation and marketing point for the surrounding agricultural area and also as a distribution point for goods from the region. The dominant economic sectors of the district are the commercial and agriculture sectors. The tourism sector is also prominent due to the strategic location of the urban area and surrounding natural environment. Economic aspects are more comprehensively discussed in paragraph 5 in view of the significance thereof in regional context. Clarens forms part of the Bethlehem district, which is predominantly an agriculture sector. The tourism industry additionally contributes to a considerable extent to the economy of the area. Although Clarens is situated in the Bethlehem district, its economic character differs mostly from that of Bethlehem. It is to be remembered that the town is presently a nationally distinguished holiday destination. The agricultural and tourist sectors have a direct influence on the per capita expenditure and employment opportunities of the area concerned. Paul Roux is situated in the Senekal district that is predominantly an agricultural area. The primary economic sector of all the towns in this district, including Paul Roux, is the agriculture sector. Consequently the unemployment rate is high and increasing with the population growth due to limited economic activities in the larger town area.

The Fouriesburg district is situated within one of the most productive agricultural regions within the Free State. The annual agricultural income is approximately R600 – R800 per hectare per year. The majority of fruits are processed and packed on

the farms from where it is distributed to the various markets. This section of the economy is expected to show continued growth in future due to the expansion of specifically fruit cultivation. Trade and industry in Fouriesburg are confined to the provision of basis facilities for the agricultural community. Basic services include financial services, Retail, Agricultural suppliers and support services and Government services (Police and SANDF). The Fouriesburg district is situated between the Witteberg, Rooiberg and Maluti Mountains and forms an integral part of the Eastern Free State tourist region. Tourist attractions are strongly linked with the natural beauty of the area and include Meiringskloof Resort, picturesque hiking and 4 x 4 trails, Golden Gate Nature Reserve, Oxbow Ski Resort (Lesotho) and Katse Dam (Lesotho). These tourist attractions are supported by numerous places of accommodation, which include hotels, guest farms, guesthouses and lodges.

bird life as well as accommodation facilities. These sites and facilities have the potential to be upgraded and expanded to attract more tourists to the area. Taking cognizance of the labour profile, natural resources, expected population and economic growth as well as of the lack of employment opportunities it was established that limited development and growth opportunities exist in the study area.

The above table gives an overview of the agricultural potential of the Dihlabeng Region. Accordingly 44% of the area is currently under cultivation and 51% under grazing which reflects the agricultural significance of the region. Approximately 3% of the area cannot be utilized for agricultural purposes due to topographical limitations. Regarding the former Fouriesburg District, the largest percentage of the area (62%) is under grazing and only 28% cultivated. From these figures, it is evident that stock

Table 1
Application of Agricultural Land : Dihlabeng Region
(Source : Department of Agriculture)

Disctrict	Bethlehem District		Senekal District		Fouriesburg District		Ficksburg District		Total Area	
	ha	%	ha	%	ha	%	ha	%	ha	%
Area unavailable for Agriculture	13 308	4	8 478	2	9 338	8	4 102	3	35 226	3
Area present under cultivation	177 489	48	163 395	46	32 758	28	57 238	43	430 880	44
Area available for cultivation	11 445	3	2 090	1	2 404	2	3 927	3	19 866	2
Area present under grazing	168 958	45	182 137	51	71 000	62	67 233	51	489 328	51
District Total Area	**371 200**	**38**	**356 100**	**36**	**115 500**	**12**	**132 500**	**14**	**975 300**	**100**

The Rosendal area is situated in the former Ficksburg Magisterial District. The main economic sectors in the Ficksburg Magisterial District are the Agriculture, Trade, Government Services and Financial sectors. The electricity sector recorded the highest growth rate of 7,2% per annum during the period 1984-1997. With respect to economic contribution to provincial production, the main contributing sectors identified are the Agriculture, Trade and Finance sectors. Unemployment is a serious problem in the district, with only 48,8% formally employed. Approximately 29,4% of the potentially economically active population is unemployed. The study area has a large variety of natural sites, such as the dams, mountain ranges, hiking trails and rich

farming is prominent in the Fouriesburg area. In contrast to the latter, 43% of the former Ficksburg District is cultivated with not only maize and wheat but the production of fruit is also significant and include cherries, peaches, apples and asparagus as the most prominent.

The economic structure of the former Bethlehem District (including the Greater Bethlehem and Clarens), Senekal District (including the Greater Paul Roux), Fouriesburg District and Ficksburg District (including the Greater Rosendal) is presented by means of the Gross Geographical Product (GGP) in the above table, as provided by the Central Economic Advisory Service (1994 data). Accordingly, the

Table 2
Economic Structure: Contribution to the Gross Geographical Product (GGP)
(Source: Central Statistical Services, 1994)

Gross Geographic Product	Bethlehem District (Rand)	Senekal District (Rand)	Fouriesburg District (Rand)	Ficksburg District (Rand)
Agriculture, Forestry, Fishing	132 949 000	73 612 000	23 581 000	49 738 000
Mining and Quarrying	94 191 000	111 000	12 000	0
Manufacturing	28 911 000	36 115 000	1 706 000	8 335 000
Electricity, Water	29 701 000	1 952 000	141 000	3 770 000
Construction	145 858 000	813 000	0	1 956 000
Trade, Catering	101 840 000	31 091 000	3 615 000	59 676 000
Transport, Communication	147 970 000	4 426 000	3 060 000	13 044 000
Finance, Real Estate	12 996 000	18 827 000	2 410 000	81 752 000
Community Services	36 714 000	2 952 000	321 000	1 895 000
Less Imputations	135 568 000	2 850 000	15 000	31 817 000
General, Government	15 227 000	36 929 000	10 517 000	37 606 000
Other products	132 949 000	6 209 000	1 191 000	4 466 000
TOTAL CONTRIBUTION	**808 497 000**	**210 186 000**	**46 539 000**	**230 420 000**

agricultural sector of the region contributes to the largest portion of the total GGP. In conclusion the following tendencies are derived from the above:

- The Bethlehem area is accessible by means of several primary access roads together with main railway routes that are the result of large-scale growth in the urban area. The area is urbanized to a great extent, which is reflected by the rapid growth of specifically the high-density residential areas. Emphasis is placed on the commercial and agricultural sectors that are the largest contributors to the GGP of the Bethlehem District.
- Growth is further stimulated by the tourism potential due to the strategic location and existing environmental assets. The prominence of economic sectors in the Bethlehem area contributes to the lower rate of unemployment in comparison to the general tendency elsewhere.
- Emphasis is placed on the agricultural sector that is the largest contributor to the GGP in the former Senekal District. The above figure is also representative of the Paul Roux town area. Other dominant economic sectors contributing to the GGP in the district is due to the influence of Senekal, as a larger service centre. Growth of the Greater Paul Roux is principally influenced by larger service centers like Bethlehem and Senekal in the vicinity.
- The Paul Roux area is also accessible adjacent to the N5 national road. Due to the lack of strong economic sectors in the town, work opportunities are exceedingly scarce, though the urban area is less urbanized that the average in the Free State.
- From the figures of the Fouriesburg District, it is evident that all sectors showed growth over the period 1991 to 1994 with an average growth in GGP of 6,7% annually. The Financial sector has shown the highest growth rate at 15,1%. In spite of a low growth, the large share (50,65%) held by the agricultural sector still makes it the dominant economic activity, followed by finance, trade and community services.
- The main economic sectors in the former Ficksburg Magisterial District area are the agriculture, trade, government services and financial sectors. The electricity sector recorded the highest growth rate of 7,2% per annum during the period 1984-1997. With respect to economic contribution to provincial production, the main contributing sectors identified are the agriculture, trade and finance sectors.

1.5.1 Long Term Economic Prospects

- The agricultural sector of the entire Dihlabeng region is extremely prominent. The latter could result in industrial development that is agricultural orientated.
- Future economic growth in the agricultural sector exists when considering small scale processing industries and intensive farming activities where possible.
- Effective and productive grazing and small scale farming programmes on the existing and identified land for commonage have future growth potential. Several farms in the Dihlabeng region have been obtained with grant allocation from the Department of Land Affairs and additional farm land has been identified to be obtained for commonage.
- Economic growth in the agricultural sector can be sustained by means of successful and productive farming practices through support and training programmes for emerging farmers as part of the Land Reform Programme. The after care programmes of the Department of Agriculture can contribute largely towards the latter.
- The area has significant tourism potential. The latter refers especially to the natural beauty of the area and include Meiringskloof Dam, pictures hiking and 4 x 4 trails, Golden Gate Nature Reserve, Saulspoort Dam and Loch Athlone resort in Bethlehem. The development, marketing and intensive exploitation of the existing tourism sector should be supported to contribute to future economic growth.
- The normal industrial incentives, with specific reference to affordable purchase prizes, endorsed by the Council, ensure growth in the Bethlehem industrial area.

1.6 Environmental Profile

The Dihlabeng Local Municipality is located within the upper and middle Vaal, and upper Orange Water Management Areas. The area has valuable soils of agricultural significance. Most serious threats to the soil resources are soil erosion, compaction, addification, salination, infestation by weeds and pathogens. A number of unauthorized mining activities occur throughout the region mostly relating to the gravel exploitation and sandstone cutting. Limited sand and silt winning possibilities exist.

The Liebenbergsvlei, Jordan, Klein Caledon, Axle, Vals and Sand Rivers including the Sol Plaatje Dam and a series of weirs and smaller dams such as Loch Lomond, Loch Athlone and Wolhuterskop are prominent water sources and provide popular recreational and tourism opportunities. This area is considered as a primary national and international tourist destination and is increasingly becoming a favourite weekend destination. The angling and guest house industry displayed an exceedingly rapid growth in the last few years.

The area also has two official conservation areas, namely, Wolhunterskop Nature Reserve and Private Nature Reserve.

CHAPTER 2: Leadership and Management

Executive Leadership

Councillor TMH Mofokeng
Mayor

Councillor MA Noosi
Speaker

Councillor MJ Tshabalala
Chairperson
Public Works

Councillor MA Mashinini
Chairperson
Land and Housing

Councillor MM Radebe
Chairperson
Human Resources Management

Councillor TJ Mkwani
Chairperson
Social Services

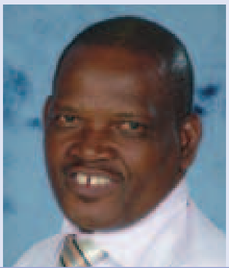
Councillor DM Mofokeng
Chairperson
Local Economic Development

Councillor HE Mokoena

Councillor CC Harrington

Executive Management

Mr. SJ Msibi
Municipal Manager



Mr. MM Mahlalela
Chief Financial Officer

Mrs. GT Hadebe
Director
Local Economic Development

Mr. SS Monchusi
Director
Public Works

Mrs. AA Molefe
Director
Community Services

Mr. MW Seoke
Director
Corporate Services

CHAPTER 3: Vision, Mission and Strategy

3.1 Vision

To provide through good governance an effective and efficient people-centred administration that will facilitate the developmental role of local government, taking into account our cultural diversity and improvement of service delivery to our rural and urban communities.

3.2 Mission

- Maximise efficient and effective utilization of resources to achieve a viable and developmental local government
- Improve the quality of life of residents and customers by providing quality, accessible and affordable services
- Deliver sustainable services
- Improve community-council relation through frequent interaction
- Provision of capacity to local communities
- Promotion of social and economic development
- Creation of a safe and healthy environment
- Encouragement of communication and participation
- Implementation of the IDP
- Adequate training and development of staff and political office bearers
- Promoting the culture of unity and diversity
- The promotion of tourism, our natural and historical heritage

3.2 Strategic Objectives

- To create an enabling environment that stimulates economic growth.
- To facilitate the provision of adequate, equitable and affordable services to all communities.
- To provide effective, transparent, accountable and coherent local government to the community.
- To promote a safe and healthy environment.
- To encourage the involvement of communities in matters of local government.

CHAPTER 4: Services and Programmes

Services

Like other municipalities, Dihlabeng Local Municipality is constitutionally required to:
a) Provide democratic and accountable government for local communities;
b) Ensure the provision of services to communities in a sustainable manner;
c) Promote social and economic development;
d) Promote a safe and healthy environment; and
e) Encourage the involvement of communities and community organisations in the matters of local government.

As a Category B Municipality, Dihlabeng Local Municipality is authorised to perform the following functions in terms of the Constitution.

Schedule 4 B
- Air pollution;
- Building regulations;
- Child care facilities;
- Electricity and gas reticulation;
- Firefighting services;
- Local Tourism;
- Municipal airports;
- Municipal planning;
- Municipal health services;
- Municipal public transport;
- Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law;
- Pontoons, ferries, jetties, piers and harbours, excluding the regulations of international and national shipping and matters related thereto;
- Stormwater management systems in built-up areas;
- Trading regulations;
- Water, sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems.

Schedule 5 B
- Beaches and amusement facilities;
- Billboards and the display of advertisements in public places;
- Cemeteries, funeral parlours and crematoria;
- Cleansing;
- Control of public nuisance;
- Control of undertakings that sell liquor to the public;
- Facilities for the accommodation, care and burial of animals;
- Fencing and fences;
- Licensing of dogs;
- Licensing and control of undertakings that sell food to the public;
- Local amenities;
- Local sport facilities;
- Markets;
- Municipal abattoirs;
- Municipal parks and recreation;
- Municipal roads;
- Noise pollution;
- Pounds;
- Public places;
- Refuse removal, refuse dumps and solid waste disposal;
- Street trading;
- Street lighting;
- Traffic and parking.

Section 84 of the amended Municipal Structures Act 2000, provides for the national Minister of local government to divide the powers and functions between the district and local municipalities particularly in relation to income generating functions. Accordingly, the Minister in January 2003, divided the powers and functions between category B and C municipalities across the country. Consequently, the municipality's health service functions were allocated to the Thabo Mofutsanyana District Municipality.

Programmes

The municipality is administratively organised into 6 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Internal Audit and Risk Management
- Financial Services
- Public Works
- Community Services
- Corporate Services
- Local Economic Development

4.1 Office of the Municipal Management

This is a programme in the office of the Municipal Manager.

Programme Objective	Key Focus Areas
To oversee, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Mayor and Speaker and thereby ensuring political and administrative cohesion.	• Integrated Development Planning (IDP) • Performance Management System • Implementation Support • Internal Audit • Risk Management

4.2 Finance

This programme is responsible for the general management of finances of the municipality.

Programme Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	• Budgeting • Credit Control, Billing, Collections and Cash Management • Financial Accounting • Budgeting and Financing • Assets management • Insurance and public management • Banking and Investments • Management Accounting • Supply Chain Management • Meter reading

4.3 Public Works

This programme is broadly responsible for Infrastructure Development, Service Delivery and Maintenance (internal and external).

Programme Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	• Water and Sanitation • Electricity • Roads and Storm water • Land and Housing • Mechanical Services

4.4 Community Services

This programme attends to social matters involved in the development of the Dihlabeng Community.

Programme Objective	Key Focus Areas
To ensure that social services are effectively provided to the Dihlabeng community.	• Library Services • Social Development • Environmental Management • Waste management • Property Management • Traffic Control • Public Safety • Sport and Recreational Facilities • Emergency Services • Arts and Culture • Cemeteries

4.5 Corporate Services

This programme is meant to provide organisational Support Services to the municipality.

Programme Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Dihlabeng Community	• Human Resource Management/development • Corporate Management Support • Information Management and Technology • Legal Services

4.6 Local Economic Development

This programme attends to issues pertaining to stimulation of economic growth and development in the municipality.

Programme Objective	Key Focus Areas
To stimulate economic growth, create jobs and business opportunities and thereby alleviate poverty.	• Business Development • Emerging SMME Development • Agriculture and Agricultural Development • Communication, Marketing and Tourism • Fund Managment

CHAPTER 5: Performance Review - 2008/2009

The performance review of the municipality will be undertaken in relation to five areas under Local Government Strategic Agenda agreed nationally. These are; Municipal Capacity Building and Organisational Transformation Infrastructure Development and Service Delivery, Local Economic Development; Municipal Financial Viability and Management and Good Governance and Public Participation.

5.1 Municipal Capacity and Organisational Transformation

Challenges

- Organisational structure not fully responsive to strategic priorities and organisational needs;
- Critical positions not filled and thus organization not functioning at optimal level;
- Lack of Human Resource policies and systems in critical areas;
- Lack of skills in critical areas; and
- Ineffective labour relations system.

Key Priorities

- Revise organizational structure and plane staff accordingly;
- Fill critical posts, especially at senior level, and in line with employment equity targets;
- Develop and consolidate all outstanding Human Resource policies and systems; and
- Implement skills development policies and programmes effectively.

Key Performance Indicators

- Organisational structure revised, approved and staff placed accordingly;
- Posts in critical areas filled in line with Employment Equity Policy Plan;
- Outstanding Human Resource policies and systems developed and implemented;
- Skill development frameworks developed and staff trained in various areas; and
- Measures introduced to improve labour relations.

Key performance highlights

- During the period under review, the municipality revised its organizational structure to ensure that it is aligned to strategic priorities. The most notable change in the new structure was the merger of Public Works and Land and Housing into one Directorate. This was done with a view to locate key delivery programmes at one place and thereby ensure internal co-ordination and seamless service delivery.

- Following, the restructuring, the municipality ensured that most critical posts were filled. As always, the positions were filled through internal movements and external appointments. At the time of compiling the report, the municipality had ensured that 95% of all posts were filled. Below is a breakdown of staff establishment of the municipality.

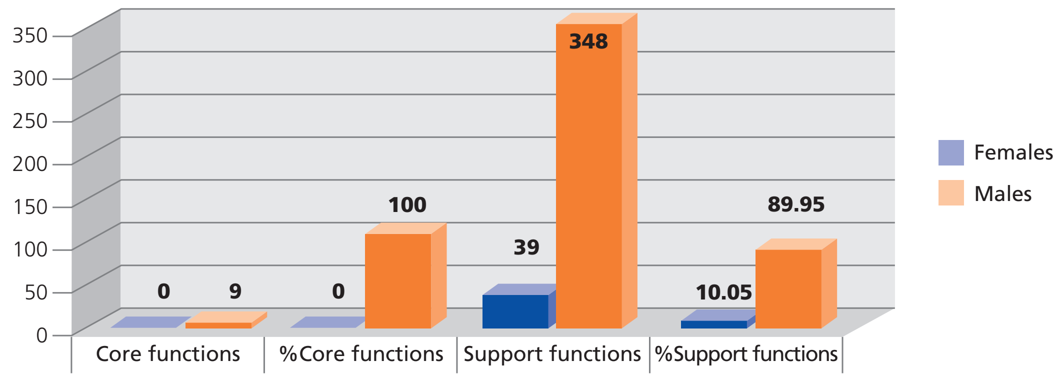
Occupational Categories	Male			Female				White Male	Foreign Nationals		Total
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers	26	0	0	17	1	0	0	8	0	0	52
Professionals	5	0	0	2	0	0	1	3	0	0	11
Technicians and associate professionals	30	2	0	7	0	0	7	19	0	0	65
Clerks	36	0	0	48	1	0	21	13	0	0	119
Service and sales workers	0	0	0	0	0	0	0	0	0	0	0
Skilled agricultural and fishery workers	1	0	0	0	0	0	0	0	0	0	1
Craft and related trades workers	16	0	0	0	0	0	0	11	0	0	27
Plant and machine operators and assemblers	94	0	0	0	0	0	1	6	0	0	101
Elementary occupations	342	2	0	83	0	0	2	9	0	0	438
TOTAL PERMANENT	**550**	**4**	**0**	**157**	**2**	**0**	**32**	**69**	**0**	**0**	**814**
Non – permanent employees	18	0	0	25	1	0	0	0	0	0	44
GRAND TOTAL	**568**	**4**	**0**	**182**	**3**	**0**	**32**	**69**	**0**	**0**	**858**

- In filling the posts, the municipality took into account, the Employment Equity Plan. It ensured that deliberate measures were taken to promote the appointment of women, in particular. Specifically, the municipality ensured that four women managers were appointed as managers for Solid Waste, Risk Management, Sports, Arts and Culture and Tourism, Marketing and Communications.

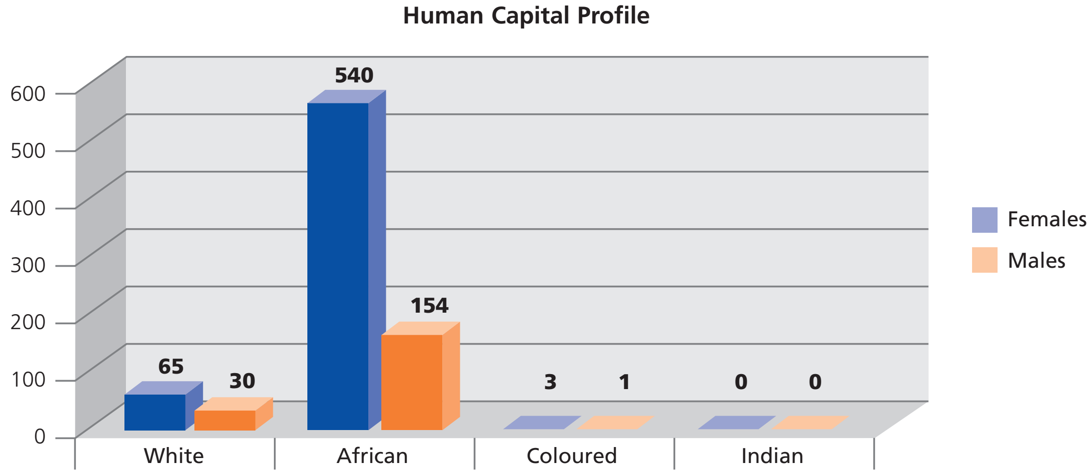
- This was an important step in the right direction although it has not proved sufficient. The municipality is not doing particularly well on the employment equity front. This much is admitted by the municipality in its Employment Equity Report of Department of Labour.

The diagram below illustrates the point.

KPA EMPLOYMENT EQUITY (Gender Representation) %



- Overall the municipality is not doing particularly well on the employment equity front. The diagram below shows the true picture.



- The municipality, however, ensured that the disabled numbers improved from 2 to 3. They also ensured that an Employment Equity Committee was established and that Employment Equity Report submitted to the Department of Labour.

- Over and above the many human resource policies that are already in place, the municipality developed a Staff Retention and Exit Management Policy. The policy comes as one of the measures to retain staff and improve conditions of services for workers and thereby promote productivity.

- The municipality is also in the process of finalizing the development of Performance Management Policy. This is one matter that the Auditor-General has been raising consistently with the municipality. The policy seeks to outline a framework for planning, monitoring, reviewing and rewarding exceptional performance. While developing the Policy, the municipality has nevertheless ensured that Senior Managers including the Municipal Manager, entered into and signed performance agreements with clear deliverables.

- In relation to skills development, the municipality ensured that raining needs were identified and Workplace Skills Plan was compiled and submitted to the Department of Labour. The municipality also continued to implement its Workplace Skills Plan for the year under review. The municipality ensured that most of the training targets were met. Some of the training interventions implemented included 2 Councillors, the Municipal Manager, 4 Directors and 4 staff attending the CPM Course at Wits University. The municipality also ensured that all Councillors attended training at the Belgravia Institute of Training.

- Further, the municipality ensured that the Annual Training Report was compiled and submitted to the Department of Labour.

- On Labour relations, the municipality made efforts to resuscitate the Local Labour Forum. This has not been easy as the labour component of the Forum continued to be reluctant to participate. The Forum nevertheless managed to meet four times during the year under review.

- The municipality has however, encountered large absenteeism rates during this financial year. This is in spite of the fact that the EAP is in place.

- The municipality has also not being efficient in dealing with labour disputes or labour related cases. Evidence below shows that by December 2008, the municipality had dealt with 5 cases out of 36.

- It is however important to note that the municipality won a long-standing case involving irregular appointment of four unit managers on appeal. The court victory for the municipality will go some way towards restoring the confidence of staff in the policies and systems of the municipality.

5.2 Basic Service Delivery and Infrastructure Development

Challenges

- Poor access to basic services, including free basic services;
- Meeting huge infrastructure needs with limited resources;
- Old and ageing services infrastructure leading to leakages and losses;
- Continued existence of the bucket system; and
- Old and ageing fleet and other equipment to undertake infrastructure and maintenance.

Key Priorities

- Increase access to basic services to all households, especially the poor;
- Upgrade and extend services infrastructure in identified areas within Dihlabeng;
- Eradicate the bucket system;
- Improve conditions of all municipal roads and stormwater systems;
- Provision of lighting in identified areas in Dihlabeng;
- Improve waste management systems and facilities; and
- Improve community services such as health, cemeteries, parks, sports and libraries.

Key performance indicators

- Services infrastructure upgraded or developed;
- Bucket system eradicated;
- Projects involving provisioning of lighting completed;
- Improvements and effective management of waste;
- Improvements in the provision of community services; and
- % of households with access to basic services.

Key performance highlights

- Like the previous year, the municipality allocated R50 million plus towards municipal infrastructure this financial year. This capital budget, made up of internal and external (MIG) resources was largely directed towards upgrading of water, sanitation, electricity, roads and stormwater, waste management and sports infrastructure.

Water

- To start with, the municipality recognised the need to develop a Water Master Plan. The plan would give the municipality an idea regarding the water infrastructure challenges and how to deal with them. To this end, the municipality applied for funds from Department of Water Affairs and Forestry to develop the Plan. At the end of the financial year, the municipality had started with the formulation of the Water Master Plan.

- In relation to water services, the municipality ensured that a total of 440 households had access to water and waterborne sewer in Bohlokong extension 7 and 8 during this financial year. The municipality also ensured that bulk water was supplied to Fouriesburg. It also ensured that the purification networks in Fouriesburg were upgraded. However, the purification networks in Paul Roux had to be reviewed and resource re-directed elsewhere. Also, the municipality has commissioned a study on a possible erection of water pipeline from Bethlehem to Paul Roux. To deal with water losses the municipality, appointed Mzansi Africa Civils to conduct a study to identify problem areas and find solutions.

- As alluded to, the municipality ensured that 440 households in Bohlokong extension 7 and 8 had access to waterborne sewer.

- The municipality also ensured that the sewer pump station in Bethlehem was upgraded.

- More significantly, the municipality has ensured that all buckets were replaced by VIP toilets. There are only 12 households that still use the bucket system. This are to the fact that these households opted buckets over VIP toilets.

Electricity

- During the period under review, the municipality ascertained that 14 new households were connected to electricity. It also ensured that the high mast lights in Mashaeng, Fouriesburg, were erected and are functioning.

- The municipality also continued to maintain its electrical networks. In particular, the municipality spent resources in maintaining the Panorama sub-station. To continue attending to problems with the electricity network, the municipality appointed Electrical Engineering Consultants to be on stand-by.

- To deal with electricity losses, the municipality contracted 14 contractors/service providers to identify problems and come up with solutions. The report in this regard has been developed and is being considered by the municipality.

Roads and Stormwater

- For the period under review, the municipality invested hugely on upgrading the road and storm water infrastructure. To start with, the municipality ensured that Riemland Road was reconstructed or replaced altogether. This is considered one of the largest road construction project in the history of the new Dihlabeng Local Municipality.

- The municipality also ensured that Tshela, Gold Circle and Linking streets were resealed. Also the road linking Ward 4 and 19 as well as Dingaan streets were tarred. These constitute an important investment on the roads in previously disadvantaged areas.

- On stormwater, the municipality ascertained that paving and stormwater channels were upgraded or erected in Keele, Kau and Kameeldoring streets, Koppie Alleen and Ward 4.

- Further, the municipality introduced pavement management system to assist with planning, budgeting and maintenance of roads. The municipality also erected speed bumps in President Steyn street.

- Also following on elaborate set of guidelines for change of street names, the municipality change street names in various parts of Paul Roux, Bethlehem, Fouriesburg, Rosendal and Clarens. This was accompanied by the erection of traffic signs in some parts of the municipality.

Waste Management

- The starting point for the municipality was to develop an Integrated Waste Management Plan. In this regard, the municipality appointed Mol-Procon to source funding for the development of the Plan. It is expected that the plan would be completed in the next financial year.

- The municipality also appointed Enviro-Fill and Mashinini Plant Hire Enterprise for the rehabilitation and shaping of the Bethlehem land fill site. Work in this regard is ongoing. Meanwhile, the application to make Bethlehem land fill site has been submitted to DEAT.

- To deal with the perennial problem of illegal dumping sites, the municipality, among others, contracted LHL Consultants to apply for land fill transfer station permits and thereby legalise these sites. Zitholele Consultants were also appointed to rehabilitate old dumping sites and to operate transfer stations.

- Also, the municipality ensured that the Fouriesburg dumping site was covered and fenced.

- The municipality also ensured that refuge was removed from all the areas as scheduled. In addition, the municipality established recycling projects. These included Dihlabeng recycling Buy Back Centre, Clarens Village Conservancy, Kgubetswana Conservancy and PR Metal Recycling Project.

- Further, the municipality launched the Cleanest Municipal Awards in all the 19 Wards. The idea was to encourage the community to keep their areas clean. A total of R172 000 has been set aside for this initiative.

Disaster Management

- The municipality revised and adopted its Disaster Management Plan. The Plan outlines a framework for managing disasters in Dihlabeng while stating measures to be undertaken in this regard.

- For the period under review, the municipality was able to put off 17 building fires, 302 veld fires and 6 vehicle fires.

Housing

- The municipality also supported housing development in its areas through various means including application for housing subsidies, release of land as well as provision of services to new sites.

- For the year in question, 103 houses were built in Clarens while work continues to complete 63 in Bohlokong, 110 in Kgubesswana, 12 in Mantse and 88 in Fateng Tse Ntsho.

Sports and Culture

- During this financial year, the municipality managed to upgrade sporting facilities while supporting sporting activities in the area. In relation to facilities, the municipality assisted Free State Stars to upgrade Goble Park. This involved over-seeding of the pitch and upgrading of irrigation system. The stadium has now become a venue of choice for Free State Stars.

- The municipality also applied for MIG funds towards the upgrading of Bohlokong and Fateng Tse Ntsho Stadiums.

- The municipality also ensured that various other sporting facilities were maintained.

- In relation to supporting sporting activities, the municipality first established the Dihlabeng Sports Council. The municipality went further to support a variety of sporting activities. These included:
  - Support participation of the municipality in the inter-municipal games.
  - Supported participation of youth in the SAMSRA games in Kimberly.
  - Provided financial support to the Bethlehem Marathon Club.
  - Organised local OR Tambo games, ensured participation of 103 youth in Thabo Mofutsanyawa District OR Tambo games and later provincial OR Tambo games.
  - Supported Ntswaki Ntsutte to participate in Korea Olympics.
  - Assisted children with facilities during the African Youth Championships.

- In relation to arts and culture, the municipality facilitated the training of 300 youth in various genres of drama, poetry, music and dance. The municipality also supported the Hot Air Ballooning Competition. It also used R50 000 to support Annual Dikgeleke Festival.

Parks and Open Spaces

- For the year under review, the municipality ensured that a total of 177 trees were planted while every effort went to the general upkeep of parks and open spaces in the municipality.

Libraries

- The libraries continued to play an important role in providing information service to the community while contributing to the reduction of illiteracy in the municipal area. It is estimated that for the year under review, the municipality recorded a total of 80 000 visitors to the libraries in the area.

- The Municipality supported the efforts of Provincial Library Services to maintain and upgrade the Libraries, e.g. the establishment of the BIS Corner, the computerisation of Dihlabeng Libraries, as well as the renovation of Bohlokong Library.

- The municipality has also earmarked site 119 in Mautse and 591 in Bohlokong for new libraries.

- The following is a complete set of infrastructure projects undertaken during this financial year:

Section	Project	Budget (R)	Complete	Consultants
Civil Engeneering: Roads	Stormwater: Boklokong	900 000	No	
	Keele Street	765 000	Yes	
	Kau Street	650 000	Yes	
	Kameeldoring Street	750 000	Yes	
	Linking Ward 4	750 000	Yes	
	Makaraboy Street	595 000	Yes	
	Masakeng Street	570 000	Yes	Motheo Consultants
	Water & sewerage to stand	180 000	Yes	
	VIP Toilets	80 000	Yes	MOT Professional Services Consultancy
	Sewerage to ext. 7	670 000	Yes	
	Reseal of Streets	750 000	Yes	Motheo Consultants
	Clarens: Paving from taxi rank	750 000	U/C	E. Snyman (Design of roads)
	Resealing of roads in Bethlehem and Bohlokong	13 000 000	Yes	Internal staff
	Rosendal: Paving & storm water channels	750 000	Yes	E. Snyman (Design of roads)
	Storm water	250 000	Yes	
	Dingaan Street	530 000	Yes	Motheo Consultants
	Pump station	430 000	Yes	LHL Consulting Engineers
	Linking Ward 19	750 000	Yes	
	MIG Streets: 5,9km road in Mashaeng	5 988 357	No MIG Multi-year	Skosana Consulting Engineers
	MIG: 2,7km Storm water: Mashaeng	1 017 398	No MIG Multi-year	Skosana Consulting Engineers

Section	Project	Budget (R)	Complete	Consultants
Electrical Engineering	Streetlights Riemland Road	500 000	Yes	
	Streetlights Phekolong Street	50 000	Yes	
	High mast lights: Mashaeng	240 000	No	
Civil Engineering: Sewerage	MIG: Bucket Eradication: Mashaeng	19 500 000	Yes	Rudnat Projects cc
	MIG: Bucket Eradication: Mautse	7 060 000	Yes	Rudnat Projects cc
	Reticulation Bohlokong: X7&8	1 000 000	Yes	MOT Professional Services Consultancy
Civil Engineering: Water	MIG: Upgrad Fouriesburg water: Phase 1	8 200 000	No MIG Multi-year	Ninham Shand
	MIG: 2Ml Reservoir: Clarens	2 670 598	No MIG Multi-year	Skosana Consulting Engineers
	DWARF: Boreholes MIG:	650 000	No	
	MIG: Upgrade Fouriesburg water: Phase 2	12 768 000	No MIG Multi-year	Ninham Shand

Corporate Social Investment

- Through the office of the Mayor, the municipality was able to offer community support in the following manner:
  - Donated 1500 food parcels and blankets to the aged;
  - Donated R4 000 to each of the 167 Churches;
  - Donated uniforms to 300 farm learners;
  - Donated bicycles to 100 farm learners;
  - Provided transport to farm learners;
  - Awarded bursaries to 550 learners;
  - Donated 3 wheel chairs to the disable.

5.3 Local Economic Development

Challenges

- Increasing rates of unemployment and poverty;
- Economic decline in critical sectors;
- Absence of strategic and planning frameworks to drive economic development;
- Weak informal sector or the second economy; and
- Slow rates of investments in the local economy.

Key Priorities

- Development of the LED Strategy;
- Mobilise investments and promote tourism;
- Support the local business sector;
- Support the SMME Sector;
- Support strategy sectors in the local economy (e.g. agriculture and tourism manufacturing); and
- Create jobs and alleviate poverty.

Key Performance Indicators

- LED Strategy developed and approved by Council;
- Measures taken to mobilise business to invest locally;
- Measures taken to support local business;
- Measures taken to support SMME's; and
- Measures taken to stimulate strategic sectors in the local economy.

Key Performance Highlights

- Following the collation of economic data and feasibility study, the municipality has not been able to take that further and develop a comprehensive LED Strategy as planned. This owed partly to lack of resources to undertake the project. The municipality has however approached Thabo Mofutsanyana District Municipality to extend their LED Strategy development to cover Dihlabeng and possibly use some resources to develop the municipality LED. An inprinciple agreement was reached but was yet to be implemented. So the municipality still does not have the LED Strategy although it has the LED Plan. The municipality has also established an LED Forum.

- With regard to moblising investments, the municipality approached Franchise Associations of South Africa with a view to request them to assist mobilising their franchise holders to open franchises locally. The municipality is still in the process of pursuing this initiative.

- To support local business, the municipality first developed an incentive system. The system is meant to empower local business people through the municipality's land release programme. The system essentially allowed for developers with higher numbers of employees and a bigger BEE Component to erect smaller sq^2 building on big erfs than normal while allowing them a longer period to build as usual. This thus encouraged developers to employ more people while creating empowerment opportunities for black people. It therefore served the twin objectives of creating jobs and empowering the previously disadvantaged.
- To further stimulate local economy, the municipality rent on a rapid land release programme for business development. In the period, the following sites were made available for development:
  - Portion 3 of Erf 4095 was released for the construction of a motel. The motel has not been developed yet.
  - Gobles Folley was released for mixed development including a shopping mall. The mall is however still awaiting approval.
  - Erf 3568 was released for the development of a office complex. The development is also still awaiting approval.
  - Erf 3371 was released for the development of a shopping mall. The mall development has started.
  - Site Schulpspruit was released for a hydroelectric project. The project was about to start at the end of the financial year.
  - Erf 4095 was released for a township regional mall. The project is also about to start at the end of the financial year.

- The municipality also introduced a variety of measures to support the SMME's, the municipality convened an SMME Workshop. The workshop was intended to induct SMME's on how they could position themselves to take advantage of tender and empowerment opportunities provided by the municipality. The 192 attendants were introduced to various policies including Supply Chain Management and Black Economic Empowerment.

- The municipality facilitated training of SMME's on various areas. Working with SEDA, the municipality trained SMME's in financial management and tendering. The municipality also worked with the Department of Agriculture (FS) to train SMME's in cattle feeding and medication as well as in beading and craft.

- Apart from training, the municipality provided direct business development and marketing support to SMME's. First, the municipality established 10 Market Stalls in various parts of Dihlabeng. The most vibrant one in Bethlehem was electrified while public facilities were upgraded.

- The municipality also facilitated involvement of SMME's in agriculture on the land or farms donated by the Department of Land Affairs. The following SMME's got involved.

- The municipality forged partnership with Glen Agricultural College, Catholic Community Services, Save the Children and Heedmorine College of Agriculture to provide free fertilizers, seedlings to SMME involved with agriculture.

- The municipality also facilitated a deal for Glen Agriculture College to donate vegetable packs to Kwetlisong Creche, Temo Land Care, Allemanspruit schools and clinics. The municipality also supported the Piggery project on Kuypsheim Commonage.

- Also, the municipality secured support from DBSA to fund involvement of empowerment groups in the Hydro Electricity Project. The municipality also helped to refer SMME's to other agencies for further assistance.

- The municipality has also done its fair share to support marketing of local SMME products. First, the municipality supported SMME's to participate in the Bethlehem Air show in August 2008. Second, the municipality supported the participation of SMME's in the Asia Expo in Bloemfontein during October 2008. Third, SMME's were supported to participate in the Cherry Festival.

- The municipality also supported to find markets for their products. This included cross-point that was assisted.

- The municipality also promoted agriculture, tourism and other new industries to diversivy the economy. With respect to tourism, the municipality placed adverts and articles in various publications including Free State Prospering Companies magazine, 'To go To', and Speckled Bean magazines to show-case the tourism potential of Dihlabeng. This has gone some way towards profiling and supporting local Bed & Breakfast places.

- The municipality also published 2 editions of Dihlabeng Newsletter. The Newsletter is read widely in the region and has also helped to profile Dihlabeng. Further, the municipality has sustained an Information Office. The office serves to record the number of tourist enquiries and provide important information about Dihlabeng to tourists.

- The municipality is also exploring the potential of Sandstone mining in Mashaeng. This is after sandstone was discovered and was said to be presenting opportunities in mining. The municipality is working with stakeholders involved to look at opportunities presented by this discovery. Further, the municipality is interacting with mines in Welkom to explore possible partnerships.

5.4 Financial Viability and Management

Challenges

- Low levels of service payments and increasing consumer debts (R249,460 m);
- Inadequate financial management policies in critical areas;
- Inadequate financial management systems and controls;
- Lack of GRAP Compliant asset management;
- High personnel expenditure; and
- Cash-flow crisis and late payment of creditors.

Key Priorities

- Improve payment levels.
- Develop necessary financial management policies in line with the requirements of MFMA;
- Purchase a new MFMA compliant financial system;
- Develop GRAP compliant asset register; and
- Introduce measures to reduce excessive and wasteful expenditure.

Key Performance Indicators

- Increase payment levels to 92%;
- Financial management policies developed and implemented;
- New financial management system purchased;
- Asset register GRAP compliant;
- Excessive and wasteful expenditure on operational budget reduced; and
- Creditor accounts reduced.

Key performance highlights

- To start with, the municipality ensured that the 2009/10 budget was prepared and adopted by Council in compliance with applicable legislation. In addition, the SDBIP was formulated and adopted by Council. The municipality also developed a five year financial plan.

- In view of the increasing debt levels and low revenue collection, the municipality convened a debt collection workshop. Out of this, a debt collection strategy was developed. The municipality identified the following as key pillars of the Strategy:
  - Finalisation of the Valuation Roll;
  - Accurate reading of meters;
  - Issuing of correct and accurate bills;
  - Increasing pay points at identified areas;
  - Continuous updating of Indigent Register;
  - Cleaning up of debtor's book;
  - Write off of certain debts;
  - Collection of outstanding payments from Councillors and staff; and
  - Development of Customer Care Policy.

- With regard to the Valuation Roll, the municipality appointed Manna Holdings. The Valuation Roll has since been completed. The municipality also appointed Dinatla Financial Advisory Service (Dinatla) to enhance revenue collection. The brief include implementation of most of the strategies above including cleaning of debtors book, accurate reading of meters and issuing of accurate bills and collection of revenue. To this end, Dinatla has already ensured that additional pay points were erected in identified places. They have also ensured that agreements have been entered into with Councillors and staff for the payment of outstanding accounts. The municipality has also appointed more staff to increase capacity in the debt collection section.

- The municipality wrote off a total of R102 million of service debts.

- Through these various measures, the municipality was able to collect 85% of the revenue due.

- In relation to financial management policies, the municipality managed to develop the following policies:
  - Banking and Investment Policy;
  - Budget Policy;
  - Credit Control and Debt Collection Policy;
  - Asset management and maintenance policy;
  - Supply Chain Management Policy;
  - Tarrif Policy;
  - Petty Cash Policy;
  - Travel and Subsistance Policy;
  - Credit Card Policy;
  - Indigent Policy;
  - Computer and Cellphones Policy; and
  - Disposal of Land and other Immovable Assets Policy.

- In addition, a Draft Property Rates Policy has been developed and the municipality is in the process of consulting stakeholders on it. Similarly, the municipality developed a draft Asset Policy and it is also being consulted on. The municipality also intends to develop Insurance Policy and Customer Care Policy.

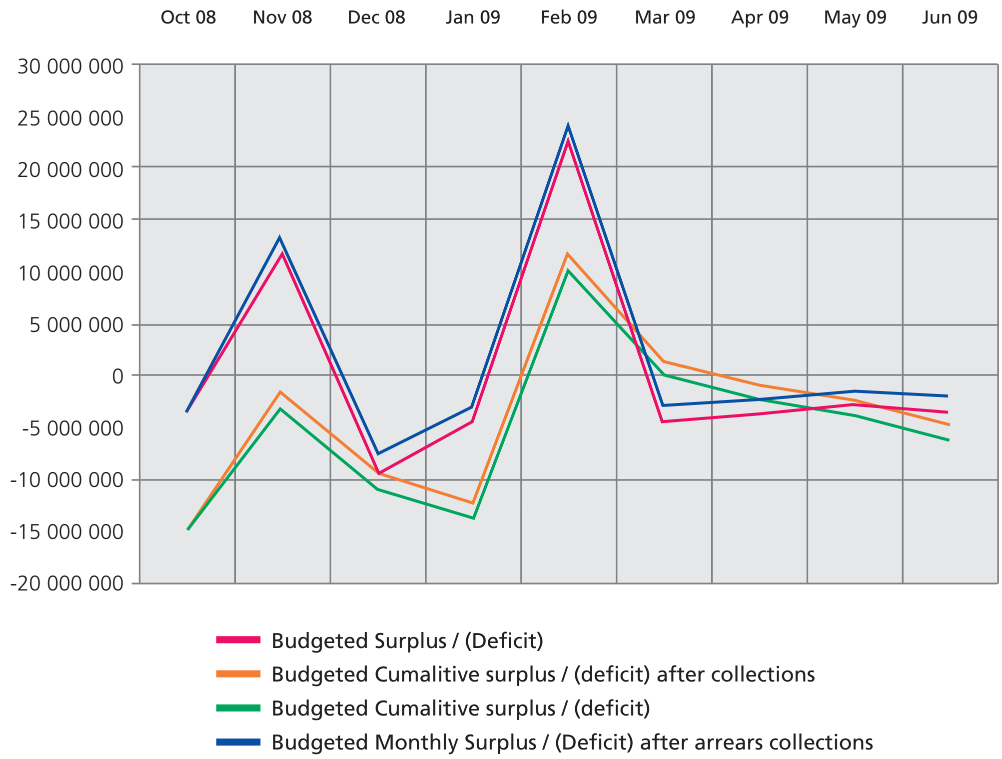
- To further improve financial management, the municipality purchased a MFMA Compliant eVenus Financial Management System. The system has enough controls for more effective and efficient financial management.

- To ensure a GRAP compliant asset register, the municipality appointed Delloitte to convert the asset register accordingly. It is expected that the asset register will be GRAP compliant in the next financial year.

- The debt collection workshop also emerged with a Financial Turn-Around Strategy. The Strategy identified the following as critical to cost cutting:
  - Introduction of a new telephone system geared to curb telephone abuse;
  - Management of overtime and stand-by costs;
  - Limit expenditure on catering;
  - Minimisation of costs on cell phones and transport; and
  - Introduction of cash-flow management system.

- These measures resulted in the reduction of municipality's dependency on overdraft from R14 million to R5 million. They also contributed to general improvement in cash-flow thus making it possible for the municipality to pay many of its creditors. In fact, the municipality reduced creditor accounts from R22 million to 8 million. It is however important to note that the municipality's wage bill still stands at 38%, -3% more than the nationally set threshold. The table below shows cash-flow projections for the municipality.

Monthly cash flow projection



- Despite some of strides made by the municipality in improving the overall financial situation, the municipality received a disclaimer on its 2008/09 Annual Financial Statements.

5.5 Good Governance and Public Participation

Challenges

- Lack of risk management frameworks and structures;
- Lack of oversight structures;
- Lack of systems to ensure integrity and accountability;
- Lack of frameworks for management of governance processes; and
- Poor levels of community participation in planning and budget processes.

Key Priorities

- Establish a fully functional Internal Audit and Audit Committee, built internal risk management capacity and develop risk management plan;
- Establish Oversight Committee in terms of MFMA;
- Develop a register for declaration of interests for Councillors;
- Develop and implement a delegation framework, rules and orders and guidelines for agenda setting for Council; and
- Ensure effective participation of communities in the formulation of the IDP Council and budgeting process.

Key Performance Indicators

- Internal Audit and Audit Committee established and fully functional;
- Oversight Committee established and fully-functional;
- A register for declaration of interests for Councillors developed;
- Delegation frameworks, rules and orders and guidelines for agenda setting for Council; and
- Communities participated in the IDP Council and budgeting process.

Key Performance highlights

- The municipality established an Internal Audit Unit. The Unit is there to advise the Accounting Officer on potential risks in the business environment and measures needed to counteract those. In this regard, the municipality appointed a Risk Manager in the Internal Audit Unit. The Risk Manager ensured that a risk assessment was performed. The assessment revealed a variety of risks in many areas of financial management.

- The municipality further established an Audit Committee. The Committee has been established to advise Council on potential risks. The Committee is made up Messrs M Mohlahlo, M Mahlatsi and T Kometsi. In addition, the municipality, through the office of the Speaker, established the Oversight Committee. The Committee is there to enable Council to ensure that the executive and administration perform their functions as expected.

- The municipality also developed a draft register for declaration of interest for Councillors. The register is meant to assure integrity of governance processes in the municipality. It is expected that the register will be adopted soon and be operational.

- The municipality also developed a delegation of Authority framework. The framework outlines delegation of responsibilities from top to lower levels of the organisation. It delegates functions and responsibilities and clarifies power and authority between various functionaries including roles in fiduciary responsibilities. The framework has gone a long way toward creating and stability in the organisation. It has created an atmosphere of mutual respect between Council and the administration.

- The municipality also developed and approved a by-law on standing rules and orders. These clarify how Council processes should be conducted. Further, the municipality developed guidelines for agenda setting. The guidelines have assisted the Council to focus on Strategic issues when it meets.

- The municipality has also ensured maximum participation of communities in the formulation of the 2009/10 IDP and the budget. In respect of the IDP process, the municipality held community meetings in the various parts of the municipality. At the end a total of 3756 people participated in the IDP process.

- The municipality also continued to provide support to Ward Committees.

CHAPTER 6: Summary of plans for the next Financial Year

6.1 Municipal Capacity Building and Organisational Transformation

- Finalise and implement Performance Management System
- Ensure that critical posts are filled
- Ensure that employment equity and transformation targets are met
- Ensure that the Workplace Skills Plan is fully implemented
- Ensure that the LLF is fully functional
- Ensure effective implementation of HR policies including the Employment Equity Plan, Workplace Skills Plan etc, and
- Conclude all outstanding labour relations cases

6.2 Local Economic Development

- Develop the LED Strategy
- Develop the Trade and Investment Strategy
- Position Bethlehem as a Mecca of tourism and business development
- Improve benefit of local businesses through preferential procurement
- Ensure optimum utilization of commonage and
- Continue supporting SMME development
- Strengthen partnerships with economic actors in the area; and
- Establish Fresh Market Produce

6.3 Financial Viability

- Rigorous implementation of the credit control policies
- Strengthen financial management systems
- Develop and implement fraud prevention policies, plans and strategies
- Enforcement of provisions of the Supply Chain Management Policy
- Strengthen the Finance Department; and
- Tightening and enforcement of financial management rules, controls and procedures

6.4 Good Governance and Public Participation

- Strengthen integrity systems and structures in the municipality
- Improve communication with communities; and
- Strengthen community participation structures, including ward committees

6.5 Service Delivery

- Review the IDP in line with new strategic priorities of the municipality for the coming year
- Finalise the ring-fencing of electricity as a business unit
- Continue with the upgrading of infrastructure networks in various parts of the municipality
- Continue to mobilize resources and implement IDP and MIG projects
- Improve reporting on projects; and
- Continue to extend services to needy and new areas

6.6 Capital projects for the next financial year

Projects	Financial Year	Value (R)	Funding	Implementation period
MIGFS0465/07/08 - Fateng sewer network 2100 stand	2009/10	500,000	MIG	2009/10
MIG0480/07/08 - Fateng sewerage purification plant	2009/10	500,000	MIG	2009/10
Bohlokong - Water meter reading device	2009/10	3,000,000	Internal	2009/10
Water and sewer reticulation	2009/10	5,654,309.69	MIG	2009/10
Bakenpark - Water and sewer reticulation	2009/10	1,000,000	MIG	2009/10
Mashaeng - MIGFS0238/W6/7 Upgrading of bulk water supply phase 1	2009/10	1,632,665	MIG	2009/10
MIGFS02384/W/6/8 Upgrading of bulk water supply phase2	2009/10	4,000,000	MIG	2009/10
Clarens - MIGFS0180/W/6/7 Resevoir	2009/10	1,554,248.29		2009/10
Water purification plant	2009/10	1,759,044.37	MIG	2009/10
Side walk	2009/10	3,000,000	Internal	2009/10
Plant and Equipment	2009/10	3,000,000	Internal	2009/10
Brick plant	2009/10	2,000,000	Internal	2009/10
Paving of streets for 19 Wards	2009/10	16,055,000	Internal	2009/10
MIGFS0178/R/6/8 - Mashaeng 5,9km road	2009/10	3,578,696	MIG	2009/10
MIGFS0179/S/6/7 - Mashaeng storm water 2,7 disposal	2009/10	R976,398	MIG	2009/10
Mayor 's special projects	2009/10	1,020,068	Internal	2009/10
Relocation of Mayor's office	2009/10	1,000,000	Internal	2009/10
Community hall	2009/10	500,000	Internal	2009/10
Bohlokong new community hall	2009/10	600,000	MIG	2009/10
Project Management Unit	2009/10	1,090.000	MIG	2009/10

FINANCIAL STATEMENTS

- ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL
- ACCOUNTING OFFICER'S REPORT
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF FINANCIAL PERFORMANCE
- STATEMENT OF CHANGES IN NET ASSETS
- CASH FLOW STATEMENT
- ACCOUNTING POLICIES
- NOTES TO THE ANNUAL FINANCIAL STATEMENTS
- ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting officer's Responsibilities and Approval:

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Municipality's Management sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Dihlabeng Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the management are primarily responsible for the financial affairs of the municipality, they are supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 49.

The annual financial statements set out on pages 58 to 111, which have been prepared on the going concern basis, were approved by the Audit Committee on 31 August 2009 and were signed on its behalf by:

Accounting Officer's Report

1. INTRODUCTION

The 2008/09 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2008/09 budget:

- The eradication of backlogs and investment in infrastructure for basic services and for growth;
- Economic growth and development that is shared and creates sustainable jobs;
- Building safer, more secure and more sustainable communities;
- The deepening of democracy;
- Financial viability and management of resources;
- A caring and effective government;
- Institutional capacity and transformation.

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2008/09 financial year.

The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

2. REVIEW OF OPERATING RESULTS

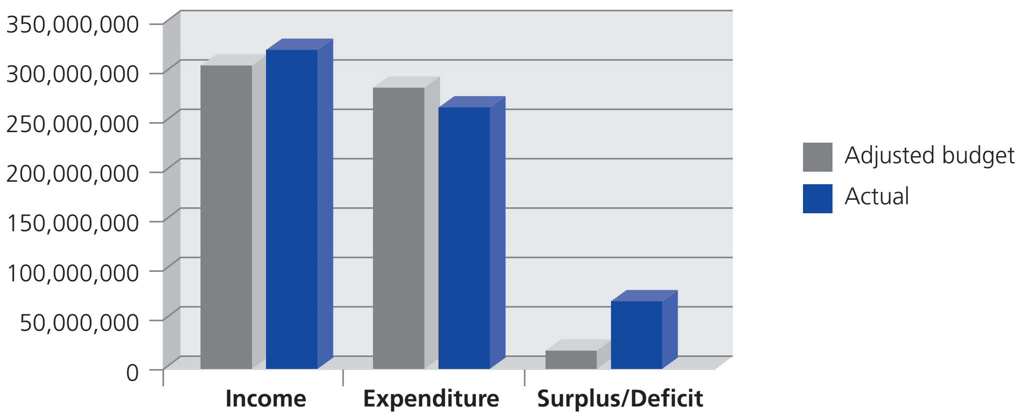
The 2008/09 budget of Dihlabeng was approved by Council on 29 May 2008.

2.1 General

Details of the 2008/09 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results is shown in the graph below:

The overall operating results for the year ending 30 June 2009 are as follows:

Operating Results 2008/9



Description	Original Budget 2009 R'000	Adjusted Budget 2009 R'000	Actual 2009 R'000	Variance Actual/ Adjusted Budget %	Actual 2008 R'000
Revenue					
Operating revenue for the year	299,962	304,635	325,448	6,83	287,160
	299,962	**304,635**	**325,448**		**287,160**
Expenditure					
Operating expenditure for the year	290,082	287,403	262,733	(8,58)	258,549
Fair value adjustment	–	–	(572)		–
Accumulated surplus / (deficit)	9,880	17,232	63,287		28,611
	299,962	**304,635**	**325,448**		**287,160**

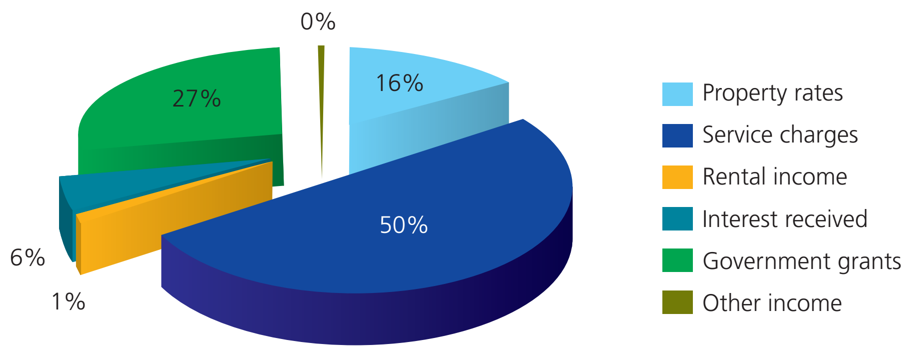
The actual net expenditure of the Municipality reflects an increase of 1,6% while the actual revenue of the Municipality has increased by 13,3 % since 2007/08.

The largest increase on revenue occurred on service charges. and interest received on our debtors accounts

The largest increase on expenditure occurred on bulk purchases and repair and maintenance.

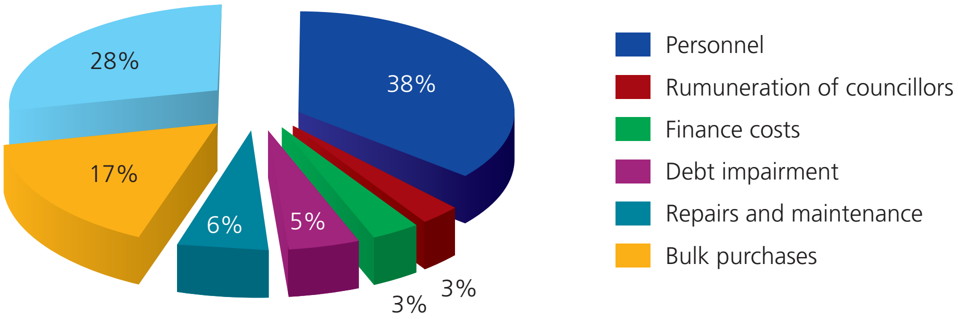
2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.

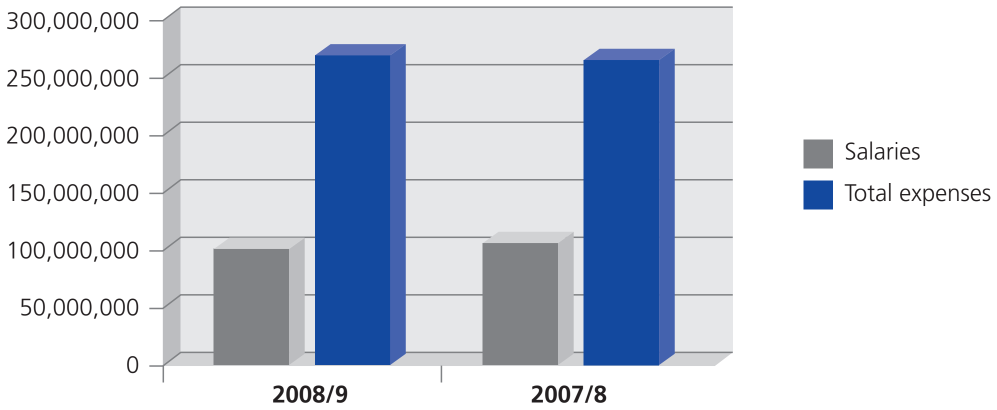


Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a slight decrease from 39,14 % in 2007/08 to 37,85 % in 2008/09. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. The target for remuneration as a percentage of revenue is 30%.

Description	2008/09 R'000	2007/08 R'000
Total operating expenditure	262,733	258,549
Total operating revenue	325,448	287,160
Employee remuneration	99,424	101,193
Ratio: % of total expenditure	37.84%	39.14%
Ratio: % of total revenue	30.55%	35.24%
% in/decrease in remuneration	(1.75%)	–

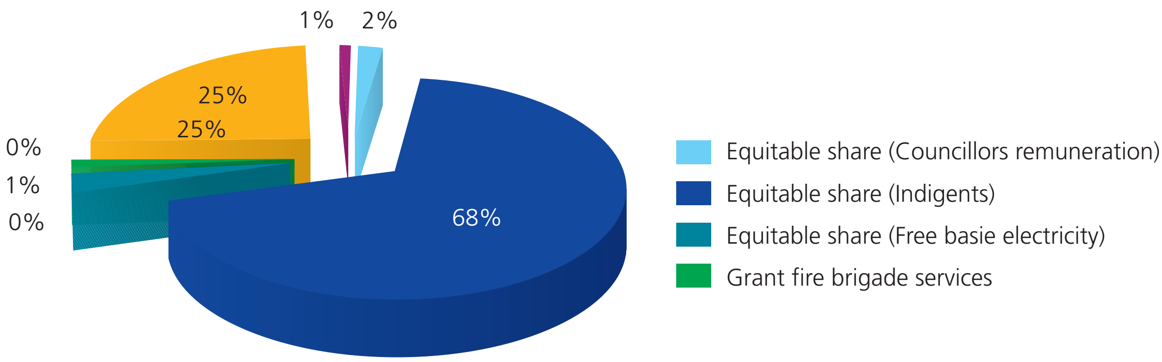
Personnel Costs vs Operating Expenditure



2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Free State Provincial Government, which amounts have been included in the total revenue:

Description	2008/09 R	2007/08 R
Equitable share (Councillors remuneration)	1,963,447	1,330,508
Equitable share (Indigents)	60,866,847	45,459,098
Equitable share (Free basic electricity)	2,617,929	1,823,354
Grant fire brigade services	64	2,636,052
Grant national road subsidy	17,100	(744)
Grant Recurrent financial support	527,248	2,738,305
MIG	22,022,975	35,358,851
MSIG	735,000	–
	88,750,610	**89,345,851**



3. DEBTORS

Details regarding the debtors are provided in Note 5 and Annexure A to the Annual Financial Statements.

Consumer debtors:
The consumer debtors decreased in total with an amount of R 45,688,614. The decrease was mostly due to a write off of R 102 million. The debtors can be classified as follows:

Consumers / Industrial / Commercial		
	Current (0 - 30 Days)	774,767
	31 - 60 Days	15,161,361
	61 - 90 Days	6,107,144
	91 - 120 Days	4,751,343
	+ 120 Days	140,045,563
Total before provision		166,840,178
Less: Provision for Doubtful Debts		(16,431,416)
Total		**150,408,762**
National and Provincial Government		
	Current (0 - 30 Days)	759
	31 - 60 Days	784,911
	61 - 90 Days	431,266
	91 - 120 Days	357,101
	+ 120 Days	8,594,236
Total before provision		10,168,273
Less: Provision for Doubtful Debts		0
Total		**10,168,273**
Total Debtors		**166,840,174**
Less: Provision for Doubtful Debts		(16,431,416)
Add: Unreconciled difference		8,334,984
Balance		**158,743,746**

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	**2008/09** **R**	**2007/08** **R**
Debits levied : Consumer debtors	232,292,613	189,196,448
Balance on 1 July	212,528,792	168,738,001
Balance on 30 June	166,840,178	212,528,792
Average balance	189,684,485	190,633,397
Days in the financial year	365	366
Turnover: Number of days	298	369
Turnover: Number of times (levies/average balance)	1.22	0.99

From the table it is clear that, although the number of days to recover debt decreased from 369 to 298 days since 2007/08, it was largely due to the fact that the municipality wrote R 102 million worth of debt off. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. The increase in debtors has an impact on the going concern of the municipality.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2008/09 amounted to R 33 million and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council to R 48 million in total.

Of these funds the MIG funding of R 22 million was spent in the 2008/9 financial year, due to financial constraints only R 4 million was spent from own funding on capital projects.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:The ratio increased slightly since 2007/08.

Description	2008/09 R	2007/08 R
Current Assets:		
Cash	45,130	23,784
Inventory	3,030,403	2,397,002
Debtors	160,102,526	108,534,570
Investments	1,143,787	1,108,582
Prepayments	–	189,822
Total	**164,321,846**	**112,253,760**
Current Liabilities:		
Creditors	35,000,540	29,441,802
Other financial liabilities	4,048,038	3,421,005
Taxes and transfers payable	5,994,395	12,134,490
Overdrawn bank account	47,447,860	20,720,118
Total	**92,490,833**	**65,717,415**
Net Operating Capital	71,831,013	46,536,345
Current asset Ratio	1,78 : 1	1,71 : 1

This is due to the fact that the current liabilities increased with 41% whilst the current assets increased with only 46%. The increase in current assets can mainly be ascribed to the increase in debtors this is counter acted by a decrease in cash. The increase in current liabilities mainly lies with the increase in the cash book balance.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available.

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

Description	2008/09 R	2007/08 R
Current assets	164,321,846	112,253,760
Less: Inventory	3,030,403	2,397,002
Total	**161,291,443**	**109,856,758**
Current liabilities	92,490,833	65,717,415
Quick asset ratio	1,74 : 1	1,67 : 1

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

Description	2008/09 R	2007/08 R
Current Assets:		
Current assets	164,321,846	112,253,760
Property, plant and equipment	593,708,432	559,321,016
Total	**758,030,278**	**671,574,776**
Total Liabilities:		
Current liabilities	97,058,262	74,088,599
Plus: Long-term loans	39,855,587	43,871,568
Non-current provisions	7,500,000	3,850,000
Lease liabilities	89,779	118,571
Total	**144,503,628**	**121,928,738**
Solvability Ratio	5,25 : 1	5.51 : 1

The total assets of the Municipality increased with 13% while the total liabilities increased with 18% resulting in an decrease in the solvability ratio as stated above. Property, plant and equipment increased with 6% while external loans decreased with 9%.

5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio decreased from 16.47% to 13.49% since 2007/08. This decrease can be ascribed to the fact that the external loans decreased with 7% in relation to the increase of 13% in total revenue.

Description	2008/09 R	2007/08 R
Total debt	43,903,625	47,292,573
Total revenue	325,448,373	287,159,802
Ratio	13.49%	16.47%

5.5 Cashbook balance plus short-term loans to total operating revenue

Description	2008/09 R	2007/08 R
Cash book overdraft plus short term loans	51,495,898	24,141,123
Total revenue	325,252,639	287,159,803
Ratio	15.83%	8.41%

According to credit rating companies, the benchmark is a ratio of less than 5%.The ratio worsened due to an increase in the negative cash book balance.

5.6 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

Description	2008/09 R	2007/08 R
Cash generated from operations (Nett cash flow)	19,841,109	(15,476,663)
Interest paid on external loans	8,674,581	8,901,739
Ratio	2,28 : 1	(1.73) : 1

The ratio shows an decrease as the interest paid on external loans decreased with 2% and the cash generated from operations increased with 228% since 2007/08.

5.7 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years is as follows:

Description	2008/09 R	2007/08 R
Long-term debt	39,855,587	43,871,568
Cash generated from operations	19,841,109	(15,476,663)
Ratio	2,01 : 1	(2,83) : 1

The ratio shows an increase as the long-term debt decreased with 10% while the cash generated from operations increased with 228% since 2007/08.

5.8 Repairs and maintenance to annual operating revenue

Description	2008/09 R	2007/08 R
Annual operating revenue	325,448,373	287,159,802
Repairs and maintenance	15,783,359	4,917,639
Percentage	4.85%	1.71%

This ratio increase is very positive as it showed that more funds were channelled to repairing of our equipment and infrastructure.

5.9 Net debtors to total annual operating revenue

Description	2008/09 R	2007/08 R
Annual operating revenue	325,448,373	287,159,802
Debtors (excluding provision for bad debt)	166,840,178	212,528,792
Percentage	51.26%	74.01%

6. CHALLENGES EXPERIENCED DURING 2008/09

6.1 GOING CONCERN ISSUES

The going concern of the municipality remains a issue that management needs to address, the following areas are of concern:

- The government subsidies equate to 27% of our income. There was an improvement as the 2007/8 financial year the percentage was 31%. This places a great deal of reliance by the municipality on government grants. As can be seen the municipality is making great strides towards increasing their own revenue streams.
- With reference to 5.2 (Quick asset ratio), the ration of 1,74 : 1 is a very impressive ratio given the norm of 1 : 1. The figure is however deceiving as the recoverability of our debtors still remains a problem. If one only takes the recoverable debt into consideration the ratio would look a great deal different.
- Our cash book balance plus short-term debt to operating revenue ratio (section 5.5 above) is a concerning factor as it increased from 8.42% (2007/8) to 15.83% (2008/9). The fact that the municipality is relying on debt to finance its operations on an increase basis is of great concern. The municipality will need to seriously address this in order to ensure that it remains a going concern.
- Although the personnel costs decreased from 39,14 % in 2007/08 to 37,85 % in 2008/09. The ration is still too high and municipality should make all possible efforts to reduce it to at least 35% in the next financial year to ensure that the municipality is able to meet all its financial obligations. (Refer to 2.3 for more detail)

6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

The Dihlabeng Local Municipality experienced problems with the implementation of certain accounting standards during the compilation of the 2008/9 financial statements and therefore had to make use external experts to assist.

The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2008/09. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

6.3 COMPLIANCY OF ASSET REGISTER

It was a tremendous challenging exercise during the 2008/9 financial year to produce a compliant and purified asset register. However, due to a lack of capacity within the Municipality, tender has been issued to appoint a service provider to assist with the municipality to ensure compliance to the new accounting standards. The service provider will assisted with the verification, review of useful lives, impairment, etc.

7. APPRECIATION

I am grateful to the Mayor, Members of the Executive Committee, Councillors, Office of the Municipal Manager, Directors, staff and our service providers for the support they have given me and my personnel during the 2008/09 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August).

MES MTHWALO
Acting Municipal Manager

Report of the Auditor-General to the Free State Legislature and the Council on the Financial Statements and Performance Information of Dihlabeng Local Municipality for the year ended 30 June 2009

Introduction

1. I was engaged to audit the accompanying financial statements of the Dihlabeng Local Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 58 to 111.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Dihlabeng Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Cash and cash equivalents

5. For reasons as detailed below, I was unable to obtain sufficient appropriate audit evidence as to the valuation of the cash and cash equivalents amounting to R47 447 860 as disclosed in the statement of financial position and note 6 to the financial statements:
   - The cash book balance for the cheque account of R50 908 268 differed by R5 935 719 from the cash book balance per the bank reconciliation of R44 972 549.
   - The favourable project account balance of R3 460 408 differed by R3 255 410 from the cash book balance per the bank reconciliation of R204 998.

   Management oversight did not identify differences and the financial reporting system did not make provision for alternative audit procedures to verify these amounts.

Property, plant and equipment

6. The financial statements did not contain information regarding the classification of property, plant and equipment into the relevant classes as required by paragraph 10 of the Standards of Generally Recognised Accounting Practices, GRAP 17, Property, plant and equipment (GRAP 17) which includes: land and buildings, infrastructure, community assets, heritage assets, other assets, finance lease assets and work in progress. Thus, sufficient appropriate evidence as to the classification of assets could not be obtained. Due to the extent of the weakness no alternative procedures could be performed.
7. No investment property as required by paragraph 5 of the Standards of Generally Recognised Accounting Practices, GRAP 16, Investment property, was disclosed in the financial statements due to management not adhering to the requirements from the accounting framework. Property, plant and equipment to the amount of R591 152 425 as disclosed in note 7 to the financial statements are overstated by R3 440 357 and investment property is understated by the said amount in both financial years.
8. Sufficient appropriate evidence could not be provided by management for assets totalling R11 946 214 included in note 7 to the financial statements. The assets could not be verified during a physical verification of assets. We were thus unable to verify the completeness and existence of these assets.
9. Assets were disposed of during the year under review, but receipts were not correctly accounted for in the accounting records, resulting in assets being overstated and revenue being understated by R2 256 334.

Trade and other receivables

10. Sufficient appropriate evidence could not be obtained for trade receivables of R175 175 277 disclosed in note 5 to the financial statements. The debtors listing provided was R2 411 323 more than the amount disclosed. This difference could not be explained and the financial reporting system did not make provision for alternative procedures to be performed.
11. Sufficient appropriate evidence could not be obtained as supporting documentation and explanations for suspense debtors of R3 982 727 (debit) and R3 288 793 (credit) could not be provided. The accuracy, completeness and rights and obligations of the amount disclosed in note 5 to the financial statements could not be confirmed. The financial reporting system did not make provision for alternative procedures to be performed.
12. Paragraph 58 of the International Accounting Standards, IAS 39 – Financial Instruments: Recognition and measurement (IAS 39) states that an entity shall assess, at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality however did not assess the consumer receivables, individually or by category, for any indication that these assets may be impaired. Because the relevant information is not available, I am not able to determine the amount by which trade and other receivables and fair value adjustment are overstated. The entity's records did not allow the performance of reasonable alternative procedures to reliably determine these amounts.
13. Paragraphs 43 and 46 of the International Accounting Standard, IAS 39, Financial Instruments: Recognition and measurement (IAS 39) requires that receivables have to be initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Contrary to these requirements, due to an oversight by management, trade and other receivables as disclosed at an amount of R175 175 277 in note 5 to the financial statements were not initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Because the relevant information is not available, I am not able to determine the amount by which trade and other receivables and fair value adjustment are overstated. The entity's records did not allow the performance of reasonable alternative procedures to reliably determine these amounts.

Trade and other payables

14. Explanations and supporting documentation could not be provided for suspense accounts as disclosed in note 14 totalling R15 865 654 at year-end, which placed a limitation on the scope of the audit. Sufficient appropriate evidence could not be obtained for the valuation and existence of the amount and the financial reporting system did not make provision for alternative procedures to be performed.
15. A net difference of R2 696 636 was found between a trade creditors' list submitted to audit and the amount of R13 867 069 disclosed in note 14 to the financial statements could not be explained. This placed a limitation on the scope of the audit and as a result the completeness and valuation of this amount could not be confirmed. The system did not make provision for alternative procedures to confirm this amount.
16. Payables and expenditure were both overstated by R2 077 603 as a result of the incorrect correction of uncashed cheques.

Provisions

17. Provisions of R12 067 429, as disclosed in note 16 to the financial statements, differed by R5 116 590 from the general ledger. Management could not explain the difference, nor did the system allow me to perform alternative procedures to confirm the correctness and classification of this amount.

Taxes and transfers payable

18. A reconciliation between the VAT 201 returns and the general ledger was not done. Note 15 to the financial statements included an amount of R1 232 632 as due to the South African Revenue Service, but according to information obtained, the amount receivable should be R4 114 767 at year-end. This resulted in Taxes and transfers payable and expenditure being overstated by R5 347 399 due to the fact that management neglected to timely perform VAT reconciliations.

Reserves

19. Reserves totalling R5 108 251 were found in the general ledger, but no amounts were disclosed in the financial statements. Explanations for this could not be provided by management. The correct classification of these amounts in the general ledger could thus not be confirmed. Alternative procedures to confirm this amount could not be performed.

Government grants

20. No reconciliation was performed by the municipality of grants allocated according to the Division of Revenue Act, 2009 (Act No. 12 of 2009) (DORA) and the actual amounts received to ensure that allocated grants are in fact received. Government grants as disclosed in note 21 to the financial statements was R5 724 387 less that the amount that should have been actually received. The accuracy, completeness and classification of these amounts could not be confirmed. Alternative procedures to confirm this amount could not be performed.

Revenue

21. Refuse removal charges of R24 675 827 as disclosed in note 20 and trade and other receivables were understated by R3 174 916 as levies were not charged on various consumer accounts with the implementation of the new financial system.
22. Sufficient appropriate evidence could not be submitted b y management for sewerage charges to the amount of R28 798 577 as disclosed in note 20. The accuracy and completeness of sewerage charges amounting to R28 798 577 could therefore not be confirmed. Alternative procedures to confirm this amount could not be performed.
23. Departmental charges for services to the amount of R13 349 381 were incorrectly included as part of revenue and expenditure in the statement of financial performance for the year, resulting in both being overstated by the said amount. It is considered to be contrary to paragraph 13 of the Standards of Generally Recognised Accounting Practices GRAP 9, Revenue from exchange transactions, as it did not increase the assets or decrease the liabilities of the municipality.
24. Contrary to paragraph 15 of Standards of Generally Recognised Accounting Practices GRAP 9, Revenue from exchange transactions, service charges were not measured at the fair value of the consideration received or receivable due to an oversight by management. Because the relevant information is not available, I am not able to determine the amount by which service charges are overstated and interest received is understated. The entity's records did not permit the performance of reasonable alternative procedures to reliably determine these amounts.
25. The sale of water of R30 083 610 as disclosed in note 20 to the financial statements was understated and the opening balance of the accumulated surplus overstated by approximately R3 million due to corrections made in the current year for amounts incorrectly levied during the previous year.
26. General expenditure of R3 110 399 was incorrectly allocated to income accounts, resulting in other income as disclosed in the statement of financial performance and general expenditure reflected in note 22 being understated by this amount.

Employee costs

27. Employee costs of R99 424 150 as disclosed in note 23 to the financial statements were overstated and general expenditure understated by R7 559 259 due to the incorrect inclusion of transport costs, reimbursable allowance and training costs in employee costs.

Expenditure

28. Prior year expenditure totalling R3 662 714 was recorded in the current year's statement of financial performance resulting in expenditure for the current year and accumulated surplus at the beginning of the year being overstated by the said amount.
29. Consulting and professional fees of R8 736 389 as included in note 22 were understated by R2 530 037 due to the incorrect classification of expenses to various other expense accounts.
30. In terms of paragraph 10 of the Standards of Generally Recognised Accounting Practice GRAP 17, Property, plant and equipment are tangible items that are held for use or supply of goods and services and are expected to be used during more than one accounting period. Items that meets this definition to the amount of R18 252 130 were erroneously included in the general expenditure of R33 682 034 of the previous year as reflected in note 22 to the financial statements, resulting in accumulated surplus being overstated and property, plant and equipment being understated by the said amount.
31. Sufficient and appropriate evidence could not be obtained for grants and subsidies as disclosed in note 31 to the financial statements. I could as a result not confirm the accuracy and classification of an amount of R5 077 331 as management could not submit indigent application forms in most instances. I was therefore also not able to confirm the occurrence, completeness and accuracy of the transaction. The system did not allow for alternative procedures to confirm this amount.

Cash flow statement

32. The cash flow statement was not compiled as required by paragraph 16 of the Standards of Generally Recognised Accounting Practice GRAP 2, Cash flow statements. The major classes of gross cash receipts and gross cash payments were not disclosed.
33. The corresponding figures disclosed in the cash flow statement for the 2008 year could not be confirmed as correct as sufficient appropriate supporting documentation could not be provided by management. The financial reporting system did not make provision for alternative procedures to confirm the accuracy of the amounts disclosed.

Irregular or fruitless and wasteful expenditure

34. I could not obtain sufficient appropriate audit evidence that bad debts written off to the sum of R102 091 631 in the financial year under review were appropriately authorised in accordance with Dihlabeng Local Municipality's delegation of powers and duties in terms of section 79 of the MFMA. Since this was only condoned by council on 10 September 2009, the expenditure is considered to be irregular.
35. According to information supplied during the audit, expenditure on conditional MIG grants exceeded the income by R2 455 115. This overexpenditure is considered to be irregular in terms of section 47(2) of DORA.
36. We were not in all instances able to confirm that Supply Chain Management procedures were complied with. Payments are considered to be irregular expenditure which was not disclosed as such in the financial statements as required by section 125(2)(d)(i) of the MFMA.
    - Documentation such as advertisements for tenders, tenders included in the bid register, evaluation of the tender bids, adjudication of bids and appointment letters and conditions applicable to contractors were complied with as these documents could not be provided for tenders to the value of R21,3 million. Payments to the amount of R3 554 450 were made during the year under review and are thus considered to be irregular expenditure. Further payments could result in additional irregular expenditure to be incurred.
    - Quotations with the necessary documents could not be provided for payments during the year to the value of about R2 303 560.

    Due to limitation of a system for identifying irregular expenditure I was not able to confirm the completeness of irregular expenditure.
37. Fruitless expenditure of R49 764 (2008: R2 571 127) was paid to unit managers appointed without the proper process followed.

Contingent liabilities

38. Sufficient appropriate evidence could not be obtained for contingent liabilities as disclosed in note 35 to the financial statements as items totalling R4 680 000 could not be provided by management. I was unable to perform alternative procedures to obtain adequate audit assurance and therefore the completeness and accuracy of this disclosure could not be confirmed.

Retirement benefits

39. The information disclosed in note 11 to the financial statements regarding retirement benefits was incomplete and not in accordance Statements of Generally Accepted Accounting Practice (GAAP), Employee benefits (IAS 19). No actuarial valuations were performed and no amounts were disclosed. The accuracy and completeness of the details disclosed could not be confirmed.

Disclaimer of opinion

40. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Going concern

41. The accounting officer's report on page 15 of note 6.1 to the financial statements indicates that the municipality might experience challenges over the next 12 months in meeting some of its obligations. These conditions, along with other matters, point to the existence of a material uncertainty that might cast significant doubt on the municipality's ability to continue as a going concern.

Fruitless and wasteful expenditure

42. As disclosed in note 40 to the financial statements, fruitless and wasteful expenditure to the amount of R995 561 was incurred, as interest subsidies were given to employees while interest was paid on the bank overdraft.

Restatement of corresponding figures

43. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of the conversion to the GRAP reporting framework.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

44. Various instances of non-compliance with the MFMA were observed, which included the following:

Section	Detail
62(1)(c)(i)	Various policies on fraud and risk management, human resources and performance information were still not approved by council.
65(2)(e)	Payments were not always made within 30 days of receipt of invoices. Instances amounting to R3,9 million were revealed during the audit.
75(1)	The accounting officer of a municipality must place on the website certain documents of the municipality, which was not done in all instances.
122(3)	The annual financial statements must be prepared in accordance with generally recognised accounting practice as determined by the Accounting Standards Board. The municipality has not provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, as prescribed by GRAP 1 *Presentation of Financial Statements.*
124(1)(c)	All the section 57 managers' remuneration was not disclosed separately.
127 & 130	The annual report for the 2007-08 financial year was not submitted and tabled.

Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

45. Declarations of interest, as prescribed by schedule 1 to the MSA, could not be obtained for councillors (paragraph 5 of the Code of Conduct for Councillors) or managers (paragraph 5 of the Code of Conduct for Municipal Staff Members) for the year under review.
46. Sections 12, 15 and 75 of the MSA require by-laws, but only draft by-laws on the tariff policy could be submitted to audit.

Governance framework

47. The governance principles that impact the auditor's opinion on the financial statements relate to the responsibilities and practices of the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

48. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of audit opinion	CE	RA	CA	IC	M
5	Cash and cash equivalents	1				1
6-9	Property, plant and equipment			3,5,6		
10-13	Trade and other receivables	2,5		4,6		1
14-16	Trade and other payables	1		5		
17	Provisions	5				
18	Taxes and transfers payable	5				
19	Reserves			6		
20	Government grants			2,5		
21-26	Revenue			2,4,5	1	
27	Employee costs				1	
28-31	Expenditure	1		3,4,5	1	
32-33	Cash flow statement	5				
34-37	Irregular or fruitless and wasteful expenditure			5		
38	Contingent liabilities				1	
39	Retirement benefits				1	

Overall reflections on the governance framework based on the internal control deficiencies:

49. Several senior employees left the municipality during the previous financial year, resulting in knowledge and skills not being transferred to new employees. Various senior management positions were filled during the year under review. The chief financial officer position was vacant since April 2009 and the duties were performed by a consultant. The necessary management oversight was therefore lacking in some instances. This resulted in reconciliations like bank, VAT, debtors and creditors not being timeously performed and reconciling items not being cleared by management.
50. GRAP challenges were experienced by staff with the conversion to the accounting framework (GRAP) due to the complex nature of these standards and the new accounting system.
51. Insufficient control, monitoring and supervision by management as the deficiencies reported previously were still not adequately addressed.

Legend

CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7

RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5

CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which in turn are not linked to an effective reward system.	7

IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3

M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Matters of governance

52. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
	Clear trail of supporting documentation that is easily available and provided in a timely manner		
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		X
	Quality of financial statements and related management information		
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor’s report.	X	

No.	Matter	Y	N
	Timeliness of financial statements and management information		
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	X	
	Availability of key officials during audit		
5.	Key officials were available throughout the audit process.		X
	Development of and compliance with risk management, effective internal control and governance practices		
6.	**Audit committee**		
	• The municipality had an audit committee in operation throughout the financial year.		X
	• The audit committee operates in accordance with approved, written terms of reference.		X
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
7.	**Internal audit**		
	• The municipality had an internal audit function in operation throughout the financial year.	X	
	• The internal audit function operates in terms of an approved internal audit plan.		X
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		X
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	X	
12.	Powers and duties have been assigned as set out in section 79 of the MFMA.	X	
	Follow-up of audit findings		
13.	The prior year audit findings have been substantially addressed.		X
14.	SCOPA resolutions have been substantially implemented.		X
	Issues relating to the reporting of performance information		
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Dihlabeng local municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

Overall reflections on the governance framework based on other key governance requirements

53. The financial statements were subject to material corrections resulting from the audit process which are attributable to the accounting officer not developing and implementing adequate control measures to ensure that financial statements and reporting information are effectively reviewed before the financial statements are submitted for audit. These weaknesses indicated a lack of oversight of financial reporting by management as a result of the challenges with the conversion to and implementation of GRAP.
54. Management did not sufficiently control supporting documentation and in various instances significant delays were encountered in the submission of relevant documents. The accounting officer did not prioritise the attending of audit steering committee meetings and a permanent chief financial officer was not appointed.

55. The audit committee and the internal audit unit was not fully functional and the accounting officer did not implement a proper internal control system which includes a fraud prevention plan and follow up on previous year findings and SCOPA resolutions.

Investigations

56. A forensic investigation is being conducted by a consulting firm, which includes an investigation into the collection of revenue, supply chain management, inventory and the disposal of assets. As this investigation has not been finalised, it is not known what impact, if any, this matter could have on the financial statements. It will be reported on once the investigation has been finalised.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

57. I have reviewed the performance information.

The accounting officer's responsibility for the performance information

In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

58. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
59. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
60. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

61. A performance management system, as required by section 38 of the Municipal Systems Act (MSA), was not established during the year under review.
62. Measurable performance targets were not set for the key performance indicators as required by section 41(1) of the MSA.
63. This was mainly due to a lack of capacity to ensure performance reporting during the year, as a performance manager was only appointed in April 2009.

Performance information not received in time

64. An assessment could not be performed of the reliability of the reported performance information, of the annual report, since the information was not received in time for audit purposes. This could be attributed to lack of a performance management and reporting system as reported in paragraphs 61 to 62 and the inability of management to establish proper performance oversight and reports to ensure effective service delivery.

APPRECIATION

65. The assistance rendered by the staff of the Dihlabeng Local Municipality during the audit is sincerely appreciated.

Bloemfontein
30 November 2009

Statement of Financial Position:
for the year ended 30 June 2009

	Note(s)	2009 R	2008 R
Assets			
Current Assets			
Inventories	4	3,030,403	2,397,002
Trade and other receivables from exchange transactions	5	160,102,526	108,534,570
Prepayments		–	189,822
Cash and cash equivalents	6	45,130	23,784
		163,178,059	**111,145,178**
Non-Current Assets			
Property, plant and equipment	7	593,708,432	559,321,016
Intangible assets		8 983,620	–
Investments	9	1,143,787	1,108,582
Long-term debtors		326,963	326,963
		596,162,802	560,756,561
Total Assets		**759,340,861**	**671,901,739**
Liabilities			
Current Liabilities			
Borrowings	13	4,048,038	3,421,005
Trade and other payables from exchange transactions	14	35,000,540	29,441,802
Taxes and transfers payable	15	5,994,395	12,134,490
Unspent conditional grants and receipts		–	4,944,975
Provisions	16	4,567,429	3,426,209
Bank overdraft	6	47,447,860	20,720,118
		97,058,262	**74,088,599**
Non-Current Liabilities			
Borrowings	13	39,855,587	43,871,568
Finance lease obligation	17	89,779	118,571
Provisions	16	7,500,000	3,850,000
Consumer Deposits		3,189,275	2,851,218
		50,634,641	50,691,357
Total Liabilities		**147,692,903**	**124,779,956**
Net Assets		**611,647,958**	**547,121,783**
Net Assets			
Accumulated surplus		611,647,958	547,121,783

Statement of Financial Performance:
for the year ended 30 June 2009

	Note(s)	2009 R	2008 R
Revenue			
Fines	18	501,898	254,289
Government grants	21	88,750,610	89,345,424
Interest received on Debtors Accounts		17,987,900	11,833,484
Interest received - investment	26	5,833	20,260
Licences and permits		(5,028)	14,125
Other income		(373,212)	2,968,907
Property rates	19	53,068,426	49,303,407
Rendering of sundry services		1,047,838	2,585,467
Rental income		3,032,088	2,774,882
Service charges	20	161,432,020	128,059,557
Total Revenue		**325,448,373**	**287,159,802**
Expenditure			
Personnel	23	(99,424,150)	(101,192,839)
Remuneration of councillors	24	(7,472,124)	(6,681,291)
Administration		(10,400)	(5,214)
Depreciation and amortisation		(31,438)	–
Finance costs	27	(8,687,790)	(8,901,739)
Debt impairment	25	(12,826,290)	(15,940,392)
Repairs and maintenance		(15,783,359)	(4,917,639)
Bulk purchases	32	(43,948,161)	(32,120,012)
Contracted services	30	(893,287)	(1,835,496)
Grants and subsidies paid	31	(278,155)	(1,553,955)
General Expenses	22	(73,378,251)	(85,400,810)
Total Expenditure		**(262,733,405)**	**(258,549,387)**
Fair value adjustments		29,405	–
Fair value adjustment for Game Stock		542,225	–
Surplus for the year		**63,286,598**	**28,610,415**
Attributable to:			
Net Asset holders of the controlling entity		63,286,598	28,610,415

Statement of Changes in Net Assets:
for the year ended 30 June 2009

	Reserves	Accumulated surplus R	Total net assets R
Opening balance as previously reported	–	(1,001,580)	(1,001,580)
Adjustments			
Prior year adjustments	–	(2,549,048)	(2,549,048)
Balance at 01 July 2007 as restated	**–**	**(3,550,628)**	**(3,550,628)**
Changes in net assets			
Changes in accounting policy (Implementation of GRAP)	–	523,354,043	523,354,043
Prior period adjustments	–	(12,405,145)	(12,405,145)
Surplus funds used to purchase PPE	–	11,113,098	11,113,098
Net income (expenses) recognised directly in net assets	–	522,061,996	522,061,996
Surplus for the year	–	28,610,415	28,610,415
Total recognised income and expenses for the year	–	550,672,411	550,672,411
Total changes	–	550,672,411	550,672,411
Balance at 01 July 2008	**–**	**547,121,783**	**547,121,783**
Changes in net assets			
Surplus for the year	–	63,286,598	63,286,598
Difference re 2007 prior year error	–	255,957	255,957
Changes in accounting policy, implementation of GRAP	–	983,620	983,620
Total changes	–	64,526,175	64,526,175
Balance at 30 June 2009	**–**	**611,647,958**	**611,647,958**

Cash Flow Statement: for the year ended 30 June 2009

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash generated from (used in) operations	33	19,841,109	(15,476,663)
Interest income		5,833	20,260
Finance costs		(8,674,581)	(8,901,739)
Net cash from operating activities		**11,172,361**	**(24,358,142)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(34,780,064)	(47,066,663)
Sale of financial assets		(5,800)	–
Net cash from investing activities		**(34,785,864)**	**(47,066,663)**
Cash flows from financing activities			
Repayment of borrowings		(3,388,948)	47,323,751
Movement in consumer deposits		338,057	2,851,218
Finance lease payments		(42,001)	118,571
Net cash from financing activities		**(3,092,892)**	**50,293,540**
Total cash movement for the year		**(26,706,395)**	**(21,131,265)**
Cash at the beginning of the year		(20,696,334)	434,931
Net increase (decrease) in cash and cash equivalents	**6**	**(47,402,729)**	**(20,696,334)**

Accounting Policies:

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP).

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the accounting Standards Board, are summarised as follows:

Standard Title of Standard
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associate
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 12 (AC 102)Income Taxes
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 and the hierachy approved in Directive 5, as issued by the Accounting Standards Board.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for

impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the

municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and the Council for the remaining 60%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement funds is immaterial and the costs thereof are charged to the Statement of Financial Performance as they fall due. The Municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to determine its present value. The actuarial valuation is performed by an independent qualified actuary on a regular basis using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight line basis over the average period until the benefits become vested. When the benefits become vested, the expense is recognised immediately in the Statement of Financial Performance.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.3 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognized as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	**Average useful life**
Land	
- Land	Infinite
Buildings	
- Buildings	30
Infrastructure	
- Roads and Paving	0 - 30
- Pedestrian Malls	20
- Electricity	10 - 30
- Water	15 - 20
- Sewerage	15 - 40
- Security	3 - 5
Community	
- Buildings	30
- Recreational Facilities	20
- Landfill Sites	50
Other property, plant and equipment	
- Buildings	30
- Specialists Vehicles	10
- Other Vehicles	3 - 20
- Office Equipment	3 - 5
- Furniture & Fittings	7 -10
- Watercraft	15
- Bins and Containers	5
- Specialised Plant and equipment	5 - 15
- Other items of plant and equipment	5

The residual value and the useful life of each asset are reviewed at each financial period-end.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years
Website development costs	3 years

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Investments
- Financial liabilities at fair value through surplus or deficit
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.
Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-forsale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.
Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwillis recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the statement of financial performance over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.12 Government grants

Revenue received from conditional grants, donations and funding shall be recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability shall be recognised in the Statement of Financial Position.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately)

1.13 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Contract revenue comprises:
- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
- to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Revenue from the issuing of fines is recognised when payment are received.

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.15 Grants, transfers and donations

Grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP or GAAP.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.25 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IAS32 Financial Instruments: Disclosure and Presentation
- IAS39 Financial Instruments: Recognition and Measurement

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

	2009 R	2008 R
Statement of financial position		
Statotory Funds		
Previously stated	–	6,195,135
Transfered to Accumulated Surplus/Deficit	–	(6,195,135)
	–	–
Reserves		
Previously stated	–	7,506,126
Transfered to Accumulated Surplus/Deficit	–	(7,506,126)
	–	–
Loans Redeemed and other Capital Receipts		
Previously stated	–	528,135,241
Transfered to Accumulated Surplus/Deficit	–	(528,135,241)
	–	–
Finance Lease Liability		
Previously stated	–	118,571
Transfered to Accumulated Surplus/Deficit	–	(118,571)
	–	–
Inventory		
Water Inventory recorded	–	128,369
Transfered to Accumulated Surplus/Deficit	–	(128,369)
	–	–
Provisions		
Provision for landfill site	–	(4,427,500)
Transfered to Accumulated Surplus/Deficit	–	4,427,500
	–	–
Intangible assets		
Intangible assets recorded	983,620	–
Transfered to Accumulated Surplus/Deficit	(983,620)	–
	–	–
Opening retained earnings		
Previously stated	–	(3,550,148)
Transfer of statutory funds	–	11,933,427
	–	8,383,279
Statement of financial performance		
Revenue - Service Charges Water		
Adjustment	–	2,370,300
Revenue - Service Charges Electricity		
Adjustment	–	3,367,992

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

The effective date of the standard is for years beginning on or after 01 January 2007.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.
The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has accepted the Transitional Provisions as per directive 4 for the Adoption of Standards of GRAP for Medium and Low Capacity Municipalities

The impact will be material but the extent thereof can not be determined.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has accepted the Transitional Provisions as per directive 4 for the Adoption of Standards of GRAP for Medium and Low Capacity Municipalities. The municipality has not finalised the procress of itemizing all infrastructure and community assets. The municipality expect to complete this process by the 30 of June 2011. At assets are carried at the global historical costs recorded in the accounting records as recorded.

The impact will be material but the extent thereof can not be determined..

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from re-measurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.The municipality has accepted the Transitional Provisions as per directive 4 for the Adoption of Standards of GRAP for Medium and Low Capacity Municipalities

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the assets remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. The municipality has accepted the Transitional Provisions as per directive 4 for the Adoption of Standards of GRAP for Medium and Low Capacity Municipalities

The impact of the standard is not material.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets. Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiably criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements The municipality has accepted the Transitional Provisions as per directive 4 for the Adoption of Standards of GRAP for Medium and Low Capacity Municipalities.

The impact of the standard is set out in the note of changes in accounting policies.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements. the municipality has not tested for impairment of non cash generating assets.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:
- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through surplus or deficit or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through surplus or deficit category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the re-measurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts; the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality expects to adopt the interpretation for the first time in the 2010 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

	2009 R	2008 R

4. Inventories

Consumable stores at cost	2,097,858	1,922,333
Water at cost	115,674	128,369
Fuel (Diesel, Petrol) at cost	701,372	230,801
Stores, materials and fuels	115,499	115,499
	3,030,403	**2,397,002**

5. Trade and other receivables from exchange transactions

Trade debtors	175,175,277	213,432,524
Provision for Bad Debt	(16,431,532)	(105,796,757)
Sundry receivables	1,355,617	895,530
Bank Errors	3,164	3,273
	160,102,526	**108,534,570**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: Fair value was determined by accepting the face value on outstanding capital

Trade receivables

Fair value of trade and other receivables

The fair value was determined by using the face value of outstanding capital.

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Petty cash	45,130	23,784
Bank overdraft	(47,447,860)	(20,720,118)
	(47,402,730)	**(20,696,334)**
Current assets	45,130	23,784
Current liabilities	(47,447,860)	(20,720,118)
	(47,402,730)	**(20,696,334)**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2009	30 June 2008	30 June 2007	Cash book balances 30 June 2009	30 June 2008	30 June 2007
Primary: Absa-Cheque account 4052898966 Branch Name: Bloemfontein	(9,181,389)	(5,343,780)	(1,442,993)	(50,908,267)	(20,820,639)	–
Project Account: Absa-Cheque account 1000010223 Branch Name: Bloemfontein	246,610	–	–	3,460,408	100,521	–
Total	**(8,934,779)**	**(5,343,780)**	**(1,442,993)**	**(47,447,860)**	**(20,720,118)**	**–**

7. Property, plant and equipment

	2009 R			2008 R		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Game	2,477,400	–	2,477,400	1,935,175	–	1,935,175
Other Assets	591,152,425	–	591,152,425	557,275,796	–	557,275,796
Capitalised leased assets	594,714	(516,107)	78,607	594,714	(484,669)	110,045
Total	**594,224,539**	**(516,107)**	**593,708,432**	**559,805,685**	**(484,669)**	**559,321,016**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Transfers	Depreciation	Total
Other property, plant and equipment	1,935,175	542,225	–	–	2,477,400
Other assets	557,275,796	34,237,839	(361,210)	–	591,152,425
Capitalised leased assets	110,045	–	–	(31,438)	78,607
	559,321,016	**34,780,064**	**(361,210)**	**(31,438)**	**593,708,432**

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
Other property, plant and equipment	1,935,175	–	–	1,935,175
Other equipment	510,803,847	46,471,949	–	557,275,796
Capitalised leased assets	–	594,714	(484,669)	110,045
	512,739,022	**47,066,663**	**(484,669)**	**559,321,016**

	2009 R	2008 R

Pledged as security

There were no assets pledged as security:

Prior period errors, refer to Note 36 for the following:

Game stock were understated in the prior year and the value had to be adjusted accordingly, R249 058.

Assets have been overstated, the bucket eradication system were incorrectly capitalised and not expensed, R15 574 713.

Take on values of paintings previously not recorded in the financial management system, R640 000.

Assets subject to finance lease (Net carrying amount)

	2009 R	2008 R
Other equipment	591,152,425	557,275,796
Capitalised leased assets	78,607	110,045
	591,231,032	**557,385,841**

The municipality has opted to take the advantage of directive 4 issued by the ASB. The municipality however did not complete the itemization of its infrastructure and community assets. The municipality expects to complete this process by 2011.

8. Intangible assets

	2009 R			2008 R		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Computer software	983,620	–	983,620	–	–	–

Reconciliation of intangible assets - 2009

	Opening Balance	Transfers	Total
Computer software	–	983,620	983,620

Other information

As a result of the implementation and adoption of GRAP102, Intangible Assets, it is the firt time Intangible assets are recognised and the values for the prior period were not available and could not be determined.

	2009 R	2008 R
9. Investments		
Short-term deposit - ABSA	419,095	413,467
The short term deposits at ABSA is fixed and matures at a future date.		
The balance is represented by the following fixed deposits:		
ABSA 205 630 2408 - R13 024		
ABSA 205 189 9282 - R283 771		
ABSA 205 710 3524 - R122 300		
Short-term deposit - Standard Bank	2,276	2,308
The short term deposit at Standard bank is fixed and matures at a future date.		
The balance is represented by:		
Standard Bank Call Account 248 786 032 - R2 276		
Long-term deposit - Sanlam	556,244	505,308
The long term deposit at Sanlam is fixed and matures at a future date.		
The balance is represented by:		
Sanlam 102 310364 - R556 244		
Long-term Co-operative fund Insemnia	43,004	43,004
The co-operative fund consist of shares in Insemnia and is represented by 5 shares held in Insemnia.		
Long-term Co-operative fund Rosendal	14,602	14,602
The co-operative fund consist of 5 088 shares held in Rosendal.		
Long-term Co-operative fund Fouriesburg	36,526	36,132
The co-operative fund consist of 12 590 shares held in Fouriesburg.		
Long-term Listed Investment Sanlam	72,040	93,761
The listed shares held in Sanlam is represented by the following: Sanlam (2714634125) 1 873 shares at R17,28 per share and Sanlam (2714634346) 2 296 shares at R17,28 per share.		
	1,143,787	**1,108,582**
Non-current assets		
Investments	1,143,787	1,108,582

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the values as provided by the relevant institution.

Fair values was determined by accepting the valuation received from the relevant institutions who has good external credit ratings.

Prior period errors, refer to note 36 for the following:
AFGRI shares were written off, (R16 080).
Investment in fixed deposit brought into account as it was previously not accounted for, (R43 732)

10. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total
2009		
Other financial assets	1,165,508	1,165,508
Trade and other receivables	159,568,914	159,568,914
Cash and cash equivalents	(48,337,376)	(48,337,376)
	112,397,046	**112,397,046**
2008		
Other financial assets	1,108,582	1,108,582
Trade and other receivables	108,977,035	108,977,035
Cash and cash equivalents	(20,696,334)	(20,696,334)
	89,389,283	**89,389,283**

11. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

The municipality has not yet determined its obligation in terms of post retirement medical benefits paid on behalf of its employees. An actuarial valuation will be done in the 2010 financial year.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All Councilors and employees belong to 3 defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 is being finalised and will be submitted to the municipality once approved by the executive committee of the fund. No information could be obtained for the other two funds regarding the administrators nor the actuarial valuations.

The municipality is under no obligation to cover any unfunded benefits.

	2009 R	2008 R

12. Consumer debtors

Summary of debtors by customer classification

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of consumer debtors

The fair value was determined by using the face value of outstanding capital.

Consumer debtors impaired

As of 30 June 2009, consumer debtors of R 12,805,808 (2008: R 15,940,392) were impaired and provided for.
The amount of the provision was R 16,431,416 as of 30 June 2009 (2008: R 105,796,757).

The ageing of these loans is as follows:
The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 25).
The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.
The municipality does not hold any collateral as security.
Refer to Annexure A for the Disclosure of Debtors per class and per category.
Prior period error, refer to note 36 for the following:
The provision for bad debts were misstated and had to be adjusted accordingly, R482.

13. Borrowings

	2009 R	2008 R
Held at amortised cost		
DBSA- Loan 1	3,942,089	4,155,767
DBSA - loan1 bears interest at a fixed rate of 5% per annum. Arrears at 7% per annum. Monthly installments of R 136,197.75 over a period of 60 months, 20 months remaining.		
INCA- SANLAM 139/12	505,412	583,258
INCA 179	1,934,243	2,262,645
INCA 23 FOURIESBURG	8,523	9,970
INCA 139	1,435,338	1,890,435
INCA 140	876,406	1,151,611
INCA Loan 13		
DBSA - Loan 2	35,201,614	37,238,887
DBSA- loan 2 bears interest at a fixed rate of 14.5% per annum. Arrears at 16,5% per annum. Monthly installments of R 517,222.94 over a period of 180 months, 133 months remaining.		
	43,903,625	**47,292,573**

	2009 R	2008 R
Non-current liabilities		
At amortised cost	39,855,587	43,871,568
Current liabilities		
At amortised cost	4,048,038	3,421,005
	43,903,625	**47,292,573**

Fair value was determined by using the valuation as done by the relevant institutions who has external credit ratings. Financial liabilities are caried at amortised cost. The fair value is the face value of the outstanding capital.

Prior period error, refer to note 36 for the following:

An additional loan was taken up and incorrectly recorded as an expense item instead of increasing the liability, (R633 289).

14. Trade and other payables from exchange transactions

Trade payables	13,867,069	6,313,914
Accrued leave pay	5,273,484	4,876,294
Accrued expense	–	4,851
Deposits received	26,274	59,718
Suspense accounts	15,865,654	12,869,720
Debtors payment in advance	(31,941)	5,317,305
	35,000,540	**29,441,802**

Prior period error, refer to note 36 for the following:

The suspense accounts were cleared by the Municipality, R234 318

Fair value of trade and other payables

Trade payables	13,867,069	6,313,914
Accrued leave pay	5,273,484	4,876,294
Accrued expense	–	4,851
Deposits received	26,274	59,718
Suspense accounts	15,865,654	12,869,720
Debtors payment in advance	(31,941)	5,317,305
	35,000,540	**29,441,802**

The fair value was determined by using the face value of outstanding capital.

	2009 R	2008 R

15. Taxes and transfers payable

VAT	5,994,395	12,134,490

16. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Rehabilitation of Landfill Site	3,850,000	3,650,000	–	7,500,000
Annual Bonus	2,159,511	295,573	–	2,455,084
Legal costs	335,500	–	(20,000)	315,500
Rehabilitation dumping site	931,198	865,647	–	1,796,845
	7,276,209	**4,811,220**	**(20,000)**	**12,067,429**

Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Environmental rehabilitation	–	3,850,000	3,850,000
Annual Bonus	–	2,159,511	2,159,511
Legal costs	–	335,500	335,500
Rehabilitation Dumping Site -	–	931,198	931,198
	–	**7,276,209**	**7,276,209**

Non-current liabilities	7,500,000	3,850,000
Current liabilities	4,567,429	3,426,209
	12,067,429	**7,276,209**

Prior period error, refer to note 36 for the following:
The provision for free basic services written off were overstated in the prior year and had to be adjusted accordingly, R931 394.

Provisions:
The provision for the rehabiliation of the landfill site was calculated by inflating the rehabilitation cost with 15% to adjust the expected total obligation. The estimate was based on a technical report that was done by external consultants during the 2007 financial year. The timing of the cashflow is uncertain.

	2009 R	2008 R

The provision for the rehabiliation of the dumping site was calculated by inflating the rehabilitation cost with 10% to adjust the expected total obligation. The estimate was based on a technical report that was done by external consultants during the 2006 financial year. The timing of the cashflow is uncertain.

No final decision has been taken to rehabilitate the landfill site and the dumping site.

17. Finance lease obligation

	2009 R	2008 R
Minimum lease payments due		
- within one year	42,000	42,000
- in second to fifth year inclusive	63,000	105,000
	105,000	**147,000**
less: future finance charges	(15,220)	(28,429)
Present value of minimum lease payments	**89,780**	**118,571**
Present value of minimum lease payments due		
- within one year	32,604	28,792
- in second to fifth year inclusive	57,176	89,779
	89,780	**118,571**

It is municipality policy to lease certain equipment under finance leases.
The average lease term was 5 years and the average effective borrowing rate was 13% (2008: 15%).
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.
Refer note 4.

18. Revenue

	2009 R	2008 R
Fines	501,898	254,289

Traffic fines are recognised as the income is received as per the Accounting Policy of the Municipality.

The total outstanding fines as at 30 June 2009, R1 209 970 (2008: R656 195) were not included in debtors as it is uncertian whether future economic benefits will flow to the Municipality.

Prior period error, refer to note 36 for the following:

Income was overstated in the prior year and had to be adjusted accordingly, (R1 750 000)

	2009 R	2008 R

19. Property Rates

Rates received

Property rates	53,068,426	49,303,407

20. Service charges

Sale of electricity	77,874,006	54,883,033
Sale of water	30,083,610	32,339,136
Sewerage and sanitation charges	28,798,577	23,443,492
Refuse removal	24,675,827	17,393,896
	161,432,020	128,059,557

21. Government grants and subsidies

Councillors Remuneration Grant	1,963,447	1,330,508
Equitable share (Indigents)	60,866,847	45,459,098
Equitable share (Free basic electricity)	2,617,929	1,823,354
Grant fire brigade services	64	2,636,052
Grant National road subsidy	17,100	(744)
Grant Recurrent financial support	527,248	2,738,305
MIG Grant	22,022,975	35,358,851
MSIG Grant	735,000	–
	88,750,610	**89,345,424**

22. General expenses

Assessment rates & municipal charges	73,461	71,777
Auditors remuneration	1,658,364	2,727,248
Bank charges	950,917	740,868
Consulting and professional fees	8,736,389	2,418,498
Consumables	408,231	246,847
Donations	1,943,746	4,546,445
Entertainment	874,433	723,472
Fines and penalties	18,505	283,500
Hire	3,155,645	2,222,203
Insurance	2,073,324	2,402,733
Community development and training	4,164,427	4,071,298
Fleet	290,693	–
Marketing	461,919	1,104,048
Promotions and sponsorships	1,740,169	596,657

	2009 R	2008 R

22. General expenses (continued)

Magazines, books and periodicals	348,526	567,227
Productions	53,468	–
Postage and courier	767,384	706,399
Printing and stationery	868,168	810,739
Royalties and license fees	84,612	42,476
Security (Guarding of municipal property)	3,486,331	3,423,678
Staff welfare	227,023	85,323
Subscriptions and membership fees	738,003	1,445,997
Telephone and fax	1,592,826	1,485,734
Training	1,233,630	1,918,804
Assets expensed	2,375,435	2,488,504
Electricity	10,436,214	7,800,979
Sewerage and waste disposal	604,676	677,744
Water	2,235,029	1,464,044
Refuse	–	1,845
Uniforms	805,158	153,447
General expenses	943,665	33,682,034
Bursaries	1,194,817	–
Rehabilitation landfill site	3,650,000	–
Capital budget	4,519,480	–
Chemicals	941,224	743,027
Sundry Service Cost	9,264,427	5,312,707
	73,378,251	**85,400,810**

Prior period error, refer to note 36 for the following:

Wages that were paid during the year were not claimed and it had to be reversed, (R10 047).

Legal costs previously not provided for in terms of insurance claims, (R20 000).

	2009 R	2008 R

23. Employee related costs

Basic	60,781,838	62,623,003
Medical aid - company contributions	5,790,348	5,198,249
UIF	626,557	616,557
Other payroll levies	31,454	11,579
Leave pay provision charge	2,127,532	2,819,180
Post-employment benefits - Pension - Defined contribution plan	1,113,277	1,082,413
Travel, motor car, accommodation, subsistence and other allowances	584,028	1,129,818
Overtime payments	2,342,633	4,050,321
Acting allowances	1,692,596	464,864
Transport allowance (bus coupons)	6,794,778	6,846,988
Car allowance	2,499,217	3,027,356
Group life insurance	129,800	167,444
Pension funds	9,854,334	9,354,456
	94,368,392	**97,392,228**

Remuneration of municipal manager

Annual Remuneration	590,345	452,797
Performance Bonuses	241,164	178,149
Contributions to UIF, Medical and Pension Funds	99,068	64,708
Leave pay out	135,440	122,197
Cellphone Allowance	18,000	8,500
Re-imbursive travel and subsistence allowance	65	–
	1,084,082	**826,351**

Remuneration of chief finance officer

Annual Remuneration	467,500	443,560
Car Allowance	155,833	148,333
Contributions to UIF, Medical and Pension Funds	5,829	1,440
Leave pay out	164,560	–
Re-imbursive travel and subsistence allowance	4,598	–
	798,320	**593,333**

Remuneration of executive directors

Annual Remuneration	2,150,500	1,716,731
Car Allowance	716,833	570,416
Performance Bonuses	41,000	–
Contributions to UIF, Medical and Pension Funds	22,989	5,652
Leave pay out	227,392	44,000
Acting allowance	–	44,128
Re-imbursive travel and subsistence allowance	14,642	–
	3,173,356	**2,380,927**

	2009 R	2008 R

24. Remuneration of councillors

Executive Major	405,008	364,872
Members of executive committee	1,193,115	1,074,906
Speaker	327,202	294,777
Councillors	3,582,337	3,391,638
Transport allowances	1,691,150	1,019,281
Best practice for councillors	112,164	367,496
Transport allowances	161,148	168,321
	7,472,124	**6,681,291**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

25. Debt impairment

Contributions to bad-debt provision	12,826,290	15,940,392

26. Investment revenue

Interest revenue		
Interest Received - ABSA	5,628	20,260
Interest Received - Standard Bank	205	–
	5,833	**20,260**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 5,832 (PY: R 20,260).

27. Finance costs

Finance leases	13,209	–
Other interest paid	8,674,581	8,901,739
	8,687,790	**8,901,739**

Other interest paid consists of the following:
Interest on long-term borrowings financed by DBSA and INCA.

28. Auditors' remuneration

Fees	1,658,364	2,727,248

	2009 R	2008 R

29. Operating lease

All leases were classified as finance leases based on the initial lease term of the lease agreement and the useful life of the asset.

Where the Municipality is the lessor:

The lease agreements with tenants have an indefinite life and therefore the equalization thereof could not be determined.

30. Contracted Services

	2009 R	2008 R
Meter reading services	893,287	1,835,496

31. Grants and subsidies paid

	2009 R	2008 R
Other subsidies		
Free basic electricity services	278,155	1,553,955

32. Bulk purchases

	2009 R	2008 R
Electricity	43,948,161	32,120,012

33. Cash generated from (used in) operations

	2009 R	2008 R
Surplus before taxation	63,286,598	28,610,415
Adjustments for:		
Depreciation and amortisation	31,438	–
Surplus on sale of non-current assets and disposal groups	(542,225)	–
Interest received	(5,833)	(20,260)
Finance costs	8,687,790	8,901,739
Fair value adjustments	(29,405)	–
Transfer of game stock non cash item	–	1,935,175
Movements in provisions	4,791,220	2,495,012
Transfer of assets	361,261	–
Difference to 2007 prior year error	255,909	–
PPE purchases out of own funds transfer	–	11,113,098
Transfer of game stock non cash item	542,225	–

	2009 R	2008 R

33. Cash generated from (used in) operations

Changes in working capital:		
Inventories	(633,401)	(2,401,124)
Trade and other receivables from exchange transactions	(51,567,958)	(109,111,717)
Prepayments	189,822	(189,822)
Correction prepaid cash item	–	189,822
Legal fees cash item	–	(20,000)
Undefined difference	–	(7,778)
Trade and other payables from exchange transactions	5,558,738	25,848,308
VAT	(6,140,095)	12,235,494
Unspent conditional grants and receipts	(4,944,975)	4,944,975
	19,841,109	**(15,476,663)**

34. Commitments

Authorised capital expenditure

The following contracts have already been awarded and the Municipality is committed on spending the remaining funds:
Project number: MIG/FS0178/0708
Project description: Mashaeng-Fouriesburg 5,9km road
Remaining funds: R2 515 013
The original contract value was R3 878 696 and was amended to R5 988 357 during October 2008 by Department of Local Government and it was also approved.

Project number: MIG/FS079/0708
Project description: Mashaeng-Fouriesburg 2,7km storm water disposal
Remaining funds: R377 493
The orignal contract value was R1 017 398 and it was approved by Department of Local Government.

Project number: MIG/FS/0234/W/6/8
Project description: Mashaeng-Fouriesburg: Upgrading of bulk water supply phase 2
Remaining funds: R425 146
The original contract value was R 12 786 000 and it was approved by Department of Local Government.

Project number: MIG/FS/0561/CF/7/8
Project description: Bohlokong/Bethlehem: Community Hall
Remaining funds: R11 838 484
The original contract value was R 17 000 000 and it was approved by Department of Local Government.

35. Contingencies

District Levies: Thabo Mofutsanyana District Municipality:
The above-mentioned case is regarding outstanding district levies that is payable by the District Municipality. The estimated amount is R1 500 000.

Katushya Security Services vs Dihlabeng Local Municipality:
The Council terminated the contract as Katushya Security Services did not render proper security services as per the contract according to council. The estimated amount is R100 000

South African Municipal Worker Union and Khotle and 8 others vs Dihlabeng Local Municipality:
Employees at the Fouriesburg unit are of the opinion that Counicl illegally deducted payments from their salaries. The estimated amount is R500 000.

Arcell System:
The case against Council is for an amount due for computer hardware that was purchased by the Municipality. The estimated amount is R80 000.

K Potgieter t/a Orca Inflatables:
There were fraudulent activities with regards to inflatable boats and the estimated amount is R1 500 000.

EMM Erasmus:
A resident injured herself on a damaged sidewalk. The estimated amount is R50 000.

S van Niekerk:
The resident injured him/herself on a damaged sidewalk. The estimated amount is R50 000.

Little Meade No 52 (Pty) Ltd:
A site / stand were sold to a number of residents. The estimated amount is R100 000.

GD van Zyl:
A sale of a site to Mr van Zyl took place in Fouriesburg but on the site is a Municipal pump station and no servitude was registered. The estimated amount is R100 000.

Streicher SF and AM:
This is regarding an electrical fault that happened in Rosendal. The estimated amount is R50 000.

AJ Fourie:
Mr AJ Fourie who is an employee of the Council, applied for medical unfitness but the application was declined by the provident fund and is claiming the loss from the Council. The estimated amount is R750 000.

Mr J Prinsloo (Electrical Section):
The employee was injured on duty and the Department of Labour referred the matter to the court to establish whether the cause of the accident were negligence. The estimated amount is R500 000.

36. Prior period errors

Correction of Misstatements Prior Year - Ex 104 Understatement of Game Stock, (R249 058). Refer to Note 4. Game stock were understated in the Prior year and the value had to be adjusted accordingly.

Correction of Misstatements Prior Year - Ex 182 opening balance Provision for Bad Debts, (R482). Refer to Note 11. The opening balance for the Provision of Bad Debts were mistated and had to be adjusted accordinly.

Correction of Misstatements Prior Year - Ex 119 overstatement of provisions for free basic services written off, (R931 394,13). Refer to Note 15. The provision for free basic services written off were overstated in the prior year and had to be adjusted accordingly.

Correction of Misstatements Prior Year - Ex 28 Salary payment was stopped due to instructions from HR (Unclaimed Salaries), R10 047. Refer to Note 22. Wages that were paid during the year were not claimed and it had to be reversed.

Correction of Misstatements Prior Year - Ex 190b Shares AFGRI to be written off, R16 080. Refer to Note 6. The AFGRI shares were written off.

Correction of prior year error - Ex 151 Assets have been overstated, the eradication of the bucket system need to be expensed, (R15 574 712,58). Refer to Note 4. Bucket eradication expenditure were incorrectly capitalised, instead it should be expensed as it is not of a capital nature.

Correction of Error - Ex 184, Allocation direct income, R1 750 000. Refer to Note 18. Income was overstated in the prior year and had to be adjusted accordingly.

Correction of Error - DIR 5865, Legal Costs, R20 000. Refer to Note 22. Legal costs previously not provided for in terms of insurance claims.

Correction of Error - 13501, Take on values for paintings previously not recorded, (R640 000). Refer to Note 4. Take on values of paintings previously not recorded in the financial management system.

Clearing of suspense account as per Municipality.2008, (R234 317,63). Refer to Note 16. The suspense accounts were cleared as per the Municipality.

Correction of prior year- Addition to DBSA loan was posted as a payment.2008, R633 288,63. Refer to Note 13. An additional loan was taken up and incorrectly recorded as an expense item instead of increasing the liability.

Investment in fixed deposit brought into account for the 2008 Financial year. (R43 731,88). Refer to Note 6. The investment in fixed deposit was not accounted for previously.

	2009 R	2008 R
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	–	14,685,655
Trade Receivables	–	(482)
Investments	–	(27,652)
Trade Creditors	–	(234,318)
External Loans	–	633,289
Statement of financial performance		
Revenue - Service Charges	–	(2,681,394)
Employee Costs - Unclaimed Wages	–	10,047
Legal fees	–	20,000

37. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

	2009 R	2008 R

38. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Events after the reporting date

The Municipal Manager Mr SS Monchusi tragically passed away in September 2009 after the financial statements were compiled. It will have no impact on the amounts contained in the financial statements. Mr MES Mthwalo were appointed as Director of Corporate Services in the month of August 2009, since September 2009 he was appointed as the Acting Municipal Manager.

40. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Employee Cost	90,761	–
Fruitless expenditure due to interest paid on bank account/creditors	904,800	–
	995,561	**–**

Fruitless and wasteful expenditure - Employee Cost

The Council provided employees with vehicle financing for employees who qualified for a travel allowance until 2002 and it had a negative impact on the financial position of the Municipality. Employees were adivised to seek outside financing and the Municipality agreed to subsidise the difference between the interest rate charged by the Municipality and the financial institution. In January 2009 the Municipality noted that the subsidy is in contravention with the MFMA and the subsidy ceased with immediate effect.

Fruitless and wasteful expenditure - Interest paid on bank overdraft and creditors
Interest were paid on bank overdraft and creditors due to financial constraints experienced by the Municipality.

41. Additional disclosure in terms of Municipal Finance Management Act

Audit fees		
Amount paid - current year	1,658,364	2,727,248
PAYE and UIF		
Amount paid - current year	9,341,484	9,295,966
Pension and Medical Aid Deductions		
Amount paid - current year	15,644,682	14,552,705
VAT		
VAT payable	5,994,395	12,134,490

VAT output payables and VAT input receivables are shown in note 14.

41. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2009:-

30 June 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total R
N C BUKHALI	1,230	2,992	4,222
M H MOFOKENG	640	751	1,391
H E MOKOENA	882	697	1,579
M J HATLA	1,966	40,264	42,230
M S MASEKO	1,377	11,790	13,167
R P MOFOKENG	1,070	11,812	12,882
V D MZIZI	4,983	48,679	53,662
S MSIMANGA	651	885	1,536
M J TSHABALALA	1,115	3,015	4,130
S E MOSIA	830	16,805	17,635
M A MOKOENA	1,530	365	1,895
C P CHANGUBE	568	1,890	2,458
M K MOFOKENG	11,778	38,856	50,634
	28,620	**178,801**	**207,421**

30 June 2008			
TJ TSHABALALA	–	307	307
S MSIMANGA	–	17,773	17,773
TM MOFOKENG	–	1,710	1,710
MJ TSHABALALA	–	3,536	3,536
NC BUKHALI	–	5,759	5,759
MP JACOBS	–	11,335	11,335
MS MASEKO	–	19,323	19,323
MJ HATLA	–	32,783	32,783
MH MOFOKENG	–	235	235
K MOFOKENG	–	203	203
	–	**92,964**	**92,964**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2009	Highest outstanding amount	Aging (in days)
V D MZIZI	53,662	–
M K MOFOKENG	50,634	–
M J HATLA	42,230	–
S E MOSIA	17,635	–
M S MASEKO	13,167	–
R P MOFOKENG	12,882	–
N C BUKHALI	4,222	–
M J TSHABALALA	4,130	–
C P CHANGUBE	2,458	–
M A MOKOENA	1,895	–
S MSIMANGA	1,536	–
M H MOFOKENG	1,391	–
	207,421	**–**

30 June 2008		
MJ Hatla	32 783	
MS Maseko	19,323	–
S Msimanga	17,773	–
MP Jacobs	11,335	–
NC Bukhali	5,759	–
MJ Tshabalala	3,536	–
TM Mofokeng	1,710	–
TJ Tshabalala	307	–
MH Mofokeng	235	–
K Mofokeng	203	–
	92,964	**–**

NOTES

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